Joint Project of the European Social Partner Organisations

Study on restructuring in new Member States

SLOVENIA CASE STUDY ON RESTRUCTURING CASES: EXAMPLE OF GORENJE

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The present case study represents an expert view and does not necessarily reflect the view of the European Social Partners

1. INTRODUCTION: PURPOSE OF THIS CASE STUDY

This document is aimed at an audience that is not necessarily expert in the Slovenian economy and social dialogue process. The case study summarizes information from Slovenian and international sources regarding the restructuring situation in late 2005. This document is also aimed at a non-Slovenian audience and is intended to reflect the views of the 3 social partners (2 employers' organisations, 1 labour organisation) interviewed for the project. These organisations are those social partners who are members of European-level social partner organisations (ETUC, UNICE, UEAPME, CEEP).

The purpose of the case study is to provide a common base of knowledge for a workshop to be held on February 16, 2006, in Ljubljana, with the social partners and their European counterparts. The results of the debate and the observations of the participants will be incorporated into the final version of the dossier and case study.

Data are current as of January 1, 2006.

2. MAIN RESTRUCTURING PATTERNS

Slovenia, always the wealthiest Republic in the former Yugoslavia, attained full independence and sovereignty in 1991. Slovenia's relatively modern and export-oriented manufacturing sector had to suffer the almost complete collapse of the ex-Yugoslav market in 1991, that occurred simultaneously the dissolution of the Soviet Union, and the rapid reorientation of the Central European states to trade with the EEC and other market economies. The modernization of Slovenia's economy took place on a gradual basis throughout the 1990s, with a gradual application of market reforms, thus Slovenia was able to switch to new markets, regain a foothold in the ex-Yugoslavia, as well as implement a social market economy avoiding the large scale unemployment, inflation, and other social tensions that prevailed in Central Europe. (For a detailed documentation of Slovenia's divergent path to full EU membership, see Mojmir Mrak, Matija Rojec, Carlos Silva-Jauregi, editors, "Slovenia: From Yugoslavia to the European Union," The World Bank, 2004).

Slovenia's outstanding economic performance and social market economy enabled it to meet all of the Maastricht Criteria already in 2005, and the country will adopt the Euro as its official currency in 2007, the first among the 10 new member states.

Declining sectors

The year 2005 marked a "record year" for restructuring in Slovenia according to the European Monitoring Centre. In their statistics (See charts reprinted below) 7300 jobs were eliminated (in 2005) in the chemical, commerce, construction, electrical, food, glass, metal public, and pulp sectors. Even the banking sector faced some job reductions. Of the 7300 jobs reduced, 3009, or 41% were in the textiles and leather sector, and in this case, off shoring and delocalisation dominated as the cause. These cases are the larger events that were reported to the ERM Centre, and may hide a "deeper" restructuring taking place in the SME and micro enterprise sectors.

These 7300 jobs that were reduced amount to 0,9% of the total employed workforce, and to only 0,8% of entire working age population taking into account the registered unemployed as well. This, of course, does not discount the large local impact that a plant closing of 100-1000 employees may have in a particular jurisdiction.

Sectors undergoing the heaviest restructuring are the following:

Sector	**Reasons for restructuring**
Textiles	Production moving to lower wage countries
Leather	Production moving to lower wage countries
Clothing	Production moving East to lower wage countries
Retail trade	New law requires retailers to close on Sunday
Food processing	Scale economies, multinational processors consolidate on European basis
Construction	Bankruptcies
Public sector	Railroad and post office subject to structural reform due to EU competition directives
Telecom	Sale of state share may induce restructuring for competitive reasons

Restructuring Cases, Examples of In-bound Investment from 2005 only

Planned job reductions

Company	Group	Type of restructuring	Sector	Planned job reductions	Announcement date	Employment effect start	Employment effect timeline
Lek	Sandoz	Internal restructuring	Chemical	250	2005.12.21		2006.12.31
Mercator		Other	Commerce	500	2005.05.23	2006.01.01	
ERA		Other	Commerce	100 - 150	2005.05.24		
Lesna TSP Radlje		Bankruptcy/Closure	Construction and woodworking	120	2005.07.19		
Tomos		Internal restructuring	Construction and woodworking	155	2005.07.25		
Ingrad		Bankruptcy/Closure	Construction and woodworking	180	2005.06.07	2005.06.08	
Iskraemeco		Internal restructuring	Electrical	100	2005.08.19		2005.12.31
Siteco	Siteco	Offshoring/ Delocalisation	Electrical	396	2005.09.21		2006.02.28
Vesna		Internal restructuring	Electrical	103 - 229	2005.11.26		
Nova Ljubljanska Banka		Internal restructuring	Financial services	119	2005.08.30		2005.12.31
Nova KBM		Merger/Acquisition	Financial services	173	2005.09.19		
Fructal		Internal restructuring	Food, beverage and tobacco	60	2005.10.07		2008.01.01
Droga Kolinska	Istrabenz	Merger/Acquisition	Food, beverage and tobacco	175 - 285	2005.08.02	2005.09.21	

Steklarna Rogaška		Internal restructuring	Glass and cement	200	2005.09.12		
Gorenje	Gorenje Group	Internal restructuring	Metal and machinery	400	2005.12.23		
Public administration of the Republic of Slovenia		Internal restructuring	Public Sector	600	2005.09.30		2007.12.31
Paloma		Internal restructuring	Pulp and paper	500	2005.12.21		2009.01.01
Tekstina		Internal restructuring	Textiles and leather	60	2005.09.15		2005.09.30
Jutranjka		Bankruptcy/Closure	Textiles and leather	100	2005.07.05	2005.07.08	
Rasica		Internal restructuring	Textiles and leather	118	2005.08.30		2005.12.31
Lisca		Offshoring/ Delocalisation	Textiles and leather	120	2005.07.08		
Merinka		Bankruptcy/Closure	Textiles and leather	126	2005.07.14		
Trikon		Bankruptcy/Closure	Textiles and leather	150	2005.11.22		
Beti Konfekcija Crnomelj	Beti Metlika	Offshoring/ Delocalisation	Textiles and leather	180	2005.07.28		
Mura		Internal restructuring	Textiles and leather	230	2005.08.30		2005.12.31
Prevent Global		Offshoring/ Delocalisation	Textiles and leather	1000	2005.12.07		2008.12.31
Industrija usnja Vrhniha		Internal restructuring	Textiles and leather	180 - 654	2005.07.12		
Prevent	Skupina Prevent	Internal restructuring	Textiles and leather	285 - 428	2005.08.30		2005.12.31

Source: http://www.emcc.eurofound.eu.int/erm/

Planned job creations in 2005

Company	Group	Type of restructuring	Sector	Planned job creation	Announcement date	Employment effect start	Employment effect timeline
Hofer	Aldi Süd	Business expansion	Commerce	200	2005.05.11	2007.01.01	
Engrotus	Tus	Business expansion	Commerce	300	2005.09.19		
Hofer	Aldi Süd	Business expansion	Commerce	2500	2005.12.08	2006.01.01	
Steklarna Hrastnik - Skupina		Business expansion	Glass and cement	200	2005.06.13	2005.09.23	2008.06.15
Istrabenz Hoteli Portoroz	Istrabenz	Business expansion	Hotel, restaurant and catering	130	2005.08.26		2007.12.31
Sun Roller Adriatic	Sun Roller	Business expansion	Motor	100	2005.10.11		2008.10.11
SAPS	Schefenacker	Business expansion	Motor	120	2005.05.05	2005.06.30	
Adria Mobil		Business expansion	Motor	120	2005.10.07		
DaimlerChrisler/ Unior		Business expansion	Motor	150	2005.04.15	2005.06.21	
Carthago		Business expansion	Motor	150	2005.12.29		
Revoz	Renault	Business expansion	Motor	1200	2005.08.04		
Public administration of the Republic of Slovenia		Other	Public Sector	310	2005.08.05		2008.07.01
Grieshaber Transport+Logistik		Business expansion	Transport and storage	130	2005.05.12	2005.12.31	2006.12.31

Source: http://www.emcc.eurofound.eu.int/erm/

3. MAIN APPROACHES AND PRACTICES IN RESTRUCTURING AND SOCIAL DIALOGUE

Restructuring has taken place in a soft manner in Slovenia since 1991 for the following reasons:

- the collapse of the internal Yugoslav market in 1991
- independence of Slovenia in 1992;
- collapse of the former socialist system in Central Europe and the Soviet Union;
- organic restructuring as Slovenia introduced domestic market rules in the 1990s;
- preparation for EU accession and the
- "conquest" of traditional and new Slovenian markets; "
- globalisation" and competition from Asia and Eastern Europe (Romania, Ukraine etc.).

According to a study by Miroslav Stanojevic (see "Social dialogue and EMU in Slovenia," page 254, available on www.eurofound.eu.int,) the Slovene model of employee reduction differs from practices used in the EU 15 and in other transition countries. For example, early retirement was used nearly twice as often in other transition countries. Compulsory redundancies occurred the least frequently. Redeployment, outplacement and outsourcing was used 30-50% more often than in the EU 15, and slightly less more often than in the other transition countries. Only the "nonrenewal" of fixed contracts was used as often in the EU15 or elsewhere.

Stanojevic explains this by citing the five features of social dialogue and industrial relations that makes Slovenia unique:

1) intense strike activity in the early 1990s;

2) Powerful trade unions with high representation (supported by mandatory collective agreements);

3) Governments preferred exchanges and dialogue to confrontation;

4) Centralised social dialogue and collective bargaining (mandatory Chamber membership at least through 2005 for the employer side);

5) Traditional adversarial relations were handled at the micro level. (Stanojevic, p. 256).

In this tradition of collective agreements and representation, the social compact negotiations, as well as the Government's Lisbon reform strategy, mandatory Chamber of Commerce and Chamber of Craft membership, restructuring caused by EU directives and global competition, take on a very "comprehensive" and consensus-seeking nature. (See also: European Foundation for the Improvement of Living and Working Conditions, "Social dialogue and conflict resolution in Slovenia," 2004, available at www.eurofound.eu.int).

In contrast with the rest of Central Europe, Slovenia enforced a moratorium on corporate bankruptcies in 1992, in order to allow for subsidized restructuring, transformation and privatization that respected the traditional powers of the Workers' Councils, that in many cases, were the legal owners of enterprises. (Collective self-management, social ownership, i.e. not state ownership).

Bankrupt firms that were not under social ownership were assigned to the Development Fund for transformation, restructuring, and in some cases, partial privatization. These firms continued to receive subsidies until EU membership and competition directives forced the Government to reduce or eliminate them. The second category of firms, i.e. that in social ownership, was under the legal framework of the Law of Transformation. They were reorganised, partially privatised, but remained under strong employee-owner influence. Finally, strategic assets, such as the telecom company, post office, electrical grid, energy sector, steel etc. remained under direct state ownership, although in most cases transformed into share companies of some sort. (See Simoneti, Rojec, Gregoric: "Privatization, Restructuring, and Corporate Governance of the Enterprise Sector," in Slovenia, World Bank, 2004).

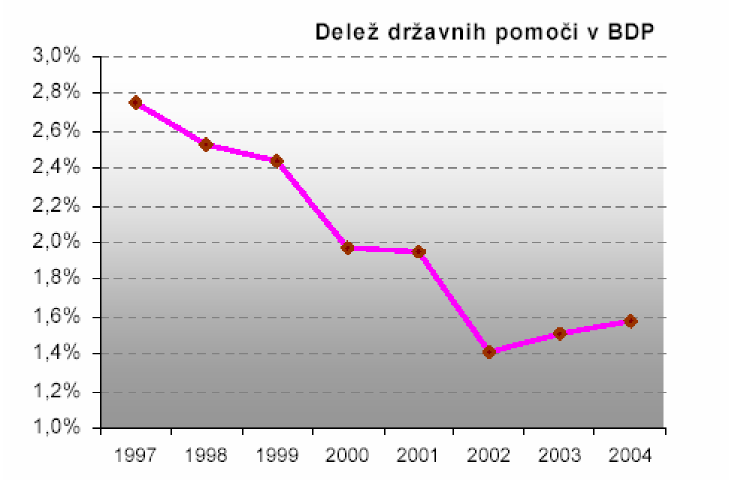
Soft restructuring through State Subsidies:

Successive Slovenian governments have spent 1,6 to 2,8% of the GDP annually on subsidies to increase the „competitiveness" of firms. Critics have called this a method of delaying inevitable unemployment and perhaps restructuring that leads to bankruptcy. On the other hand, firms that have enjoyed these state subsidies are better prepared for privatisation, or for accepting increases in capital from foreign investors. Given EU competition directives, these subsidies will be phased out. The existence of subsidies for firms that remained in business in difficult times explains one significant aspect of the Slovenian "soft" approach to economic transition.

- The social partners interviewed seemed to agree with the philosophy of the soft approach. What is subject to discussion is the need for reforms that have been "delayed" until EU accession.

State assistance as a proportion of GDP (%)[1]

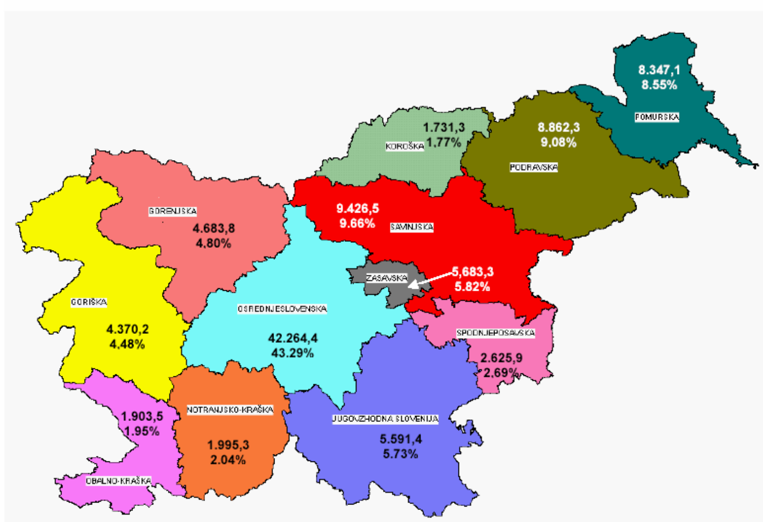
Slika 1: Delež državnih pomoči v BDP v Sloveniji po letih v %



State assistance seems to be concentrated in Central Slovenia (43%), neither the least developed nor the poorest region in the country. Poorer regions with more unemployment and less development, such as Pomurksa, Drava and Sava, received 9% or less in state aid each.

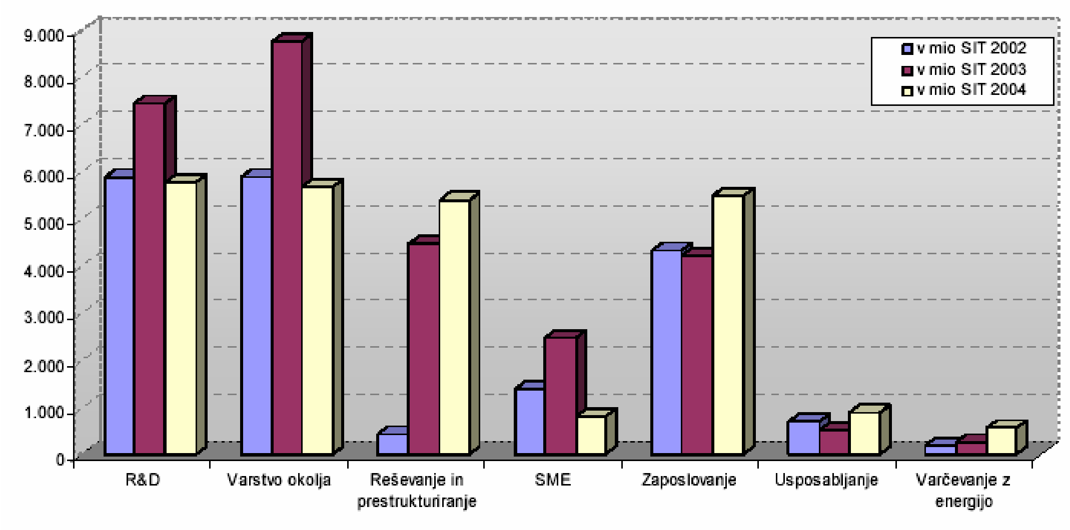
State Aid by region and proportion, 2004, in millions of SIT

Slika 12: Višina in deleži državnih pomoči po regijah, v letu 2004, v mio SIT



Firms also received state subsidies in the period 2002-2004 to „prevent bankruptcy" and to support structural change. The purposes of these grants are listed in the table below.

[1]All charts come from: Sedmo poročilo o državnih pomočeh v Sloveniji, -Seventh Report on State Aid in Slovenia, Ministry of Finance, 2005.   http://www.mf-rs.org/mf/slov/nadz_pom/porocilo_sedmo.pdf



From left to right: R and D, Environment, preventing bankruptcy and supporting restructuring, SME, employment, training, energy efficiency.

Subsidies by sector are also indicative of industrial policy. In 2003 and 2004, agriculture received 29 and 23% of state subsidies, while manufacturing accounted for 27% in each year. Transport received 14 and nearly 20% of subsidies in 2003 and 2004. Thus discounting for agriculture, manufacturing and transport received 47% of the subsidies paid by the State in 2004. In tolar terms, manufacturing received 26 billion tolars in 2004 while transport was paid nearly 20 billion tolars.

- The firms no longer receiving these subsidies in 2005 and beyond may face restructuring.

Please see Annex 2 for more details on subsidies paid by sector, 2003-2004.

Legal Protections for Employees:

The Law on Employment Relations (1991-2003, 2003 to date)

The old laws did not allow layoffs and reductions in the former Yugoslavia. In other words, economic reasons were not sufficient. The Labour Code in force from 1991 to 1993 required 6 months advance notice in the case of a layoff, and made removing workers very expensive. That is, for every year of service, half a month's salary was to be paid to the employee in form of severance, and significant procedural costs also are in force. The use of fixed term contracts and temporary agencies is also regulated more strictly than in the other transition countries.

2003 Law on Employment Relations:

This Labour law has several important provisions re. "mass layoffs" and the reduction of employees for business and other reasons. The following reasons are allowed for terminating an employment contract (Article 75): expiration of validity, death of either natural party to the contract, consensual cancellation, ordinary or extraordinary termination, court judgement.

The easiest form of cancellation is consensual (Article 79) and this paragraph is probably used quite often with the appropriate incentives. General termination must be justified, and notice given in writing. (Article 81-83). The trade union must be notified if the worker requests it. (Art. 84). If the union opposes the termination, the termination may not go into force until the end of the arbitration period.

A worker may be terminated when offered a new contract. (Article 90). The worker has 30 days in which to express his opinion.

Giving notice: The employee must give 30 days notice. If the employee is terminated for business reasons, there is a complex system of notification based upon number of years on the job. Ranging from 30 days if the employee was with the firm for less than 5 years, or up to 150 days if the employee had at least 25 years of service (including the legal predecessor). (Art,. 92).

Mass layoffs for business reasons: (Art 96)

A special program for redundant workers must be put into place if within 30 days at least 10 workers become redundant in a firm with 20 to 100 employees. Between 100 and 300 workers, the layoff must affect 10% of the employees, or at least 30 workers if the firm has more than 300 workers. (Firms with fewer than 20 employees seem to be exempt from the dismissal program for redundant workers clause).

The redundant workers program must be put into place within 3 months if more than 20 workers are involved. The trade union must be informed and consulted with the intention of working out an agreement. The Employment Service must also be consulted and informed (Art 97-98), and cannot act re. the dismissals until 30 days have gone by after notifying the Employment Service.

The dismissal program, described in Article 99, has the following obligatory components:

1. Measures for limiting the numbers of workers to be dismissed, including options for continued employment under new conditions;
2. The list of redundant workers
3. List of package to soften the blow: outplacement, jobs in other firms, assistance with starting new firms etc.
4. Financial assessment of dismissal program

There are legal criteria for determining who is redundant (Article 100). These include the workers' qualifications and education, work experience, job performance, years of service, health, social condition, sole breadwinner or parent of 3 or more children. Pregnant and nursing women are protected, as are those in "bad social condition."

- Employers have pointed out that these conditions take everything into account except the financial and market strength of the employer, i.e. this includes social policy elements that are paid for by firms who cannot reduce staff.

The employer must heed the opinion of the Employment Service and the trade union, and at the request of the Service, the dismissals can be delayed by 60 days. If any new hiring takes place within one year, the dismissed workers have priority if they were let go for business reasons only and can fulfil the conditions of the new jobs. If the firm is sold in a bankruptcy, the new owner must turn to the old employees first in any expansion. (102-105).

Severance pay:

The average monthly wage for the three months before termination is the basis for calculating severance pay. (Article 109). The worker is entitled to 1/5th monthly pay for each year worked under between 1 and five years. Over 5 years and under 15 years, it is 1/4th month pay for each year worked. For over 15 years of service, the basis is 1/3 month salary for each year worked.

Protections against termination: (Article 113-118)

The employer may not terminate (**for whatever reason**? Authors remark) works council members, trade union representatives, board members or other such officials without the consent of the union.

Older workers above a certain age may not be terminated unless they qualify for full pensions or unless they agree to a package that supports them until they reach full pension age.

The female worker who is pregnant or breastfeeding may also not be dismissed. Similar protections apply for disabled and ill persons.

Discussion item:

- Are there measures that seem excessive from the employers' side? Are there additional protections employees' representatives would like to see?

IV. BRIEF CASE DESCRIPTION: GORENJE

General Situation

Before discussing the specific situation of Gorenje's Slovenian approach to multiple restructuring, we should consider that during the 1990s and up until 2004, Slovenian companies were "reconstructed" under a system of targeted state subsidies and careful reductions in force. According to Stanojevic (op. cit.), Slovenian firms used early retirement twice as often as firms in Central Europe during restructuring. A sharp contrast exists between the Slovenian approach to voluntary reduction, i.e. voluntary reductions are used more than twice as often as in the other Central European states. Regarding compulsory reductions, i.e. firing of employees, Slovenian firms used this method only 15% of the time, whereas in Central Europe, this came out to 50%. Redeployment, outplacement, and outsourcing were also used significantly more often than in other transition countries who are Slovenia's most direct competitors. (Stanojevic, pp. 254-256).

It is important to point out that Slovenia had strong strikes during the 1990s, and Slovenian trade unions represent a high proportion of workers. Finally, social dialogue has been relatively advanced, and this could soften the effect of restructuring.

Gorenje[2]:

Several social partners and experts identified Gorenje group as a suggested successful case study for how a firm in a former socialist country can reorganise, downsize and reorient itself given the collapse of its internal market and the former Yugoslav markets as well.

[2] Based on interviews with Gorenje management, popular and academic literature cited as appropriate.

One must recognize that Gorenje is not a typical Slovenian company since it exports nearly 90% of its products, has over 34 subsidiaries all over Europe, and has started to move some of its manufacturing to Serbia, while being able to retain and upgrade the quality of its high tech workforce at home.

Gorenje, established in 1950, has gone through many restructurings, but as early as the 1960s oriented itself to exporting to “Western” Europe. In the context of the Slovenian electronics industry, Gorenje accounts for 1 billion euros in sales in 2005 (est) and that is about 1/3 of the total sales of the Slovenian electronics and electrical industry. This is achieved with about 5,400 employees, the numbers of which declined only slightly since 2001, i.e. from 8,236[3] to 5,400 at the end of 2005. These 5,400 employees make up only 1/7th of the total employment in the electronics and electrical sector. (Tipo data). Gorenje has announced an internal restructuring to take place starting at the end of 2005, affecting some 400 workers. In interviews with management, Gorenje indicated that its Serbian investment in Valjevo will not result in displaced jobs, as the firm is moving upscale and upmarket, creating demand for well-trained technical and manufacturing employees who are also involved in continuous quality improvement and research and development.

Gorenje went through several crises in the 1980s, when it was able to redouble its investment and export efforts in the EEC and in neighbouring advanced countries such as Austria. Costs were cut, quality and manufacturing improvements made continuously, all of course within the context of Socialist full employment. Gorenje survived the collapse of the ex-Yugoslav market by exporting close to 95% of its total sales during the nineties. Gorenje invests intensively in research and development, and is able to sell most of its goods under its own brand names.

Gorenje management, as well as outside experts attribute this performance to, among others, a very loyal workforce. This loyal workforce is retained by exceeding the social expectations and constant dialogue with the employees and their organisations.[4] Gorenje management has pointed out, that facilities are such that all employees feel wanted and comfortable, and equipment, furnishings etc. are the best that can be provided. Employee benefits include extensive continuing education (lifelong learning), annual interviews, preventive medical checkups, recreation, free meals, jubilee awards

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[3] Marjan Svetlicic, „Old Multinational from a young transition economy: A case of Gorenje.” Manuscript, 2002.

[4] Confirmed by Boro Jerabek, Director of Innovation, Gorenje Group.

etc. These lead to a certain level of devotion on both the part of management and employees that were put to use when downsizing had to take place.

Besides the usual incentives used commonly in Slovenia during downsizing such as generous severance, early retirement etc, Gorenje provides alternative forms of employment to workers who are injured or have reduced physical strength. To achieve this goal, the firm established a special subsidiary that employs people with reduced skills, and it also tries to employ disabled employees as well.

Gorenje's practices must be put in the context of labour shortages, i.e. they are forced, as management has indicated, to continuously "optimize the internal organisation of processes." Gorenje prefers to use early retirement as a method to reduce workforces, allowing the hiring of young people perhaps from the savings. Given the strong unions and works council, Gorenje has to have a cooperative culture, where every significant decision affecting employment etc. is discussed intensively. Outplacement, and good relations with the state employment service also assist Gorenje in making "soft" reductions in its workforce.

On a strategic level, of course, the group is expanding production in Serbia, and aims to increase market share in the high end of the spectrum, and that involves the use of highly qualified production and research employees in the future as well.

Telekom Slovenije has also reduced staff since 2000. Their packages must be approved by the works council and included such benefits upon redundancy as 1 year of salary for each year worked. This incentivized older workers to retire early, as the workforce has an average age of 46 in the fast changing telecoms sector. Finally, reduced workers were also offered a chance to work in a call centre.

Gorenje's slow reduction in workforce did not seem to be accompanied by intense union protest, as delicate and intensive negotiations settled matters within the firm's walls. The results, increases in productivity, sales and quality, as measured by export success, seem to demonstrate that labour and management are at peace when it comes to influencing the future competitiveness of the firm.

Gorenje's size, and successful history even during socialist Yugoslavia make it an exception, however the principles applied in human resources management do offer lessons for smaller firms as well.

V. CRITICAL ISSUES & MAIN CHALLENGES FOR UPCOMING RESTRUCTURING CASES

What is critical for the near future is which sectors have not yet undergone massive restructuring: the public corporations such as the post office and railroad, the education system and the health care system, as well as those enterprises that still enjoy significant or majority state ownership and will be sold under the government's strategy for achieving the Lisbon Goals.

The privatisation of Slovenia's economy is not yet complete. The State, according to the Reform Programme for Achieving the Lisbon Strategy Goals (October 2005) is a significant direct and indirect owner of prominent Slovenian companies through several parastatal funds such as KAD and SOD. These means that Slovenian success stories that are organised as private firms still have significant state ownership, and this may lead to concerns with EU competition policy, equal opportunity and transparency.

Slovenia's largest firms by income and by persons employed, as the table indicates, have significant state ownership, either directly at the Republic level as in the case of Telekom, or through the state pension fund and compensation funds.

The largest companies by income

Rank	Company	Revenues in 1000 tolars	Employees
1	Petrol Slovenska Energetska Druzba, D.D., Ljubljana	320772600	620
2	Poslovni Sistem Mercator	225444473	7280
3	Revoz Podjetje Za Proizvodnjo in Komercializacijo Avtomobilov D.D.	209928044	2275
4	Merkur - Trgovina in Storitive, D.D.	152100851	2380
5	Gorenje Gospodinjski Aparati, D.D.	144149916	5671
6	Lek Farmacevtska Druzba D.D.	127653357	2510
7	Prevent Avtomobilske Sedezne Prevleke, Delovna Oblacila in Rokavice D.D.	118410784	344
8	Holding SlovenskeElektrarne D.O.O.	116294167	80
9	OMV Istrabenz, Trgovina z Nafto in Naftnimi Derivati, D.O.O.	98938164	103
10	Krka, Tovarna Zdravil, D.D:, Novo Mesto	97977511	3541
11	Spar Slovenija Trgovsko Podjetje D.O.O. Ljubljana	94728927	2314
12	Engrotus Podjetje za Trgovino, D.O.O.	89533068	2316
13	Telecom Slovenije D.D.	85293522	2118
14	Mobil Telekomumikacijske, D.D., Ljubljana	83401361	813
15	Splonsno Gradbeno Podjetje Slovenija Ceste Tehnika Obnova, D.D.	75224772	2420
16	Renault Nissan Slovenija, Trzenje in Prodaja Avtomobilov, D.O.O.	65509584	152
17	Sava Tires, Druzba zs Proizvodnjo Pnevmatnik, D.O.O.	65061034	1568
18	Talum Tovarna Aluminija D.D. Kidricevo	64279159	985
19	Impol Industrija Metalnih Polizdelkov D.D.	62500112	974
20	Elektro Ljubljana Javno Podjetje Za Distribucijo Elektricne Energije D.D.	61671349	1087

Source: The 500 Largest companies in Slovenia. Slovenian Busieness Week Report (Special Issue), 2005

Several of these firms below, such as the Post Office, fashion producers, foundries etc. will face or have faced restructuring already in 2005, or are under threat from EU competition rules.

The largest companies by employees

Rank	Company	Employees
1	**Poslovni Sistem Mercator D.D.**	7280
2	**Posta Slovenije D.O.O.**	5946
3	**Gorenje Gospodinjski Aparati**, D.D.	5671
4	Mura European Fashion Design D.D.	3864
5	**Krka, Tovarna Zdravil, D.D., Novo Mesto**	3541
6	**Lek Farmacevtska Druzba D.D**.	2510
7	SGP Slovenija Ceste Tehnika	2420
8	Unior Kovaska Industrija D.D.	2400
9	**Merkur -** Trgovina in Storitive, D.D.	2380
10	Engrotus Podjetje za Trgovino, D.O.O.	2316
11	Spar Slovenija D.O.O. Ljubljana	2314
12	Revoz D.D.	2275
13	**Telecom Slovenije D.D**.	2118
14	Premogovnik Velenje, D.D.	2108
15	Iskraemeco, Merenje in Upravljanje Energije, D.D.	1932
16	Perutnina Ptuj D.D.	1668
17	Boxmark Leather Proizvodnja in Trgovina D.O.O.	1666
18	Era D.D., Velenje	1588
19	**Sava Tires D.O.O**.	1568
20	Primorje D.D.	1532

Source: The 500 Largest companies in Slovenia. Slovenian Business Week Report (Special Issue), 2005

Surprisingly, many of Slovenia's privatised and successful exporting firms have significant direct and indirect State ownership. The Lisbon strategy of the current government calls for a significant reduction of these state shares by selling to private portfolio investors or strategic investors. This, of course, has restructuring implications.

State Share in Group Ownership (ranking by income, 2004)

Rank	Group	State Funds (%)	State ownership (%)
1	Mercator	13,57	
2	Petrol	62	
3	Gorenje	33,7	
4	Merkur	25,66	
5	Telekom Slovenije	9,84	62,53
6	Lek	25,8	
7	HSE		
8	Elektro Slovenija		100
9	Krka	14,4	
10	Prevent		
11	Autocommerce		
12	SIJ - Slovenska Industrija Jekla		
13	SCT	1,7	
14	Holding Slovenske Zeleznice		
15	Primorje		
16	Kemofarmacija		
17	Era		
18	Cimos	21,39	
19	Sava	29,77	
20	Intereuropa	10	

Source: The 500 Largest companies in Slovenia. Slovenian Business Week Report (Special Issue), 2005

Based upon the effect of EU competition directives, and anticipated sales of state shares in some larger enterprises, "restructuring" is expected in the following areas in the 2006-2009 timeframe:

- Transformation of parastatal holding funds (KAD and SOD), and sale of shares
- Sales of remaining banks, insurance companies etc. in which the State still has a significant direct or indirect share
- Post office upon full liberalisation in 2009
- State Railways upon liberalisation of cargo, passenger, and track service
- Telecom monopoly state share to be sold (State still retains a nearly 63% share in Telekom Slovenije in 2006)
- Electric production and distribution to be liberalised, perhaps privatised
- State share in petroleum importer/refinery/distributor to be reduced

Views of Social Partners on Specific Case

- All employer organisations regarded Gorenje as a success story
- Employee organisation is concerned not about current restructuring practice at firm, but about long term impact of FDI in Serbia and elsewhere, i.e. will production abroad lead to reductions in Slovenian workforce?
- The share of “grey” or informal employees is between 6 and 10% of those employed (employee org)
- Regional labour shortages are caused by unwillingness to move (employee org)
- The restructuring procedure in Slovenia is mostly acceptable (employee org)
- Employers: Large scale production will fade, but slow privatisation was an advantage. The main challenge is to have good retraining to allow more high value-added Slovenian content.
- How can example of Gorenje, Telekom etc. be used in SME sector? (author)

Annex 1: Recent Restructuring/investment events from the European Monitoring Centre

Breakdown of employment effect by type of restructuring (2002 to December, 2005)

Type of restructuring	# Planned job reductions	% Planned job reductions	# planned job creation	% planned job creation	# Cases	% Cases
Internal restructuring	3241	52.21%	0	0%	15	36.59%
Business expansion	0	0%	5300	94.47%	12	29.27%
Bankruptcy / Closure	676	10.89%	0	0%	5	12.2%
Offshoring / Delocalisation	1516	24.42%	0	0%	4	9.76%
Other	600	9.66%	310	5.53%	3	7.32%
Merger / Acquisition	175	2.82%	0	0%	2	4.88%
Relocation	0	0%	0	0%	0	0%
Outsourcing	0	0%	0	0%	0	0%
Total	**6208**	**100%**	**5610**	**100%**	**41**	**100%**

European Monitoring Centre "search result"

http://www.emcc.eurofound.eu.int/erm/index.php?template=searchfactsheets

Fact Sheet Details

Company: Gorenje

Geographic location:

Country:	Slovenia
Region:	Slovenia ; Slovenija
Affected unit(s):	

Company:

Group :	Gorenje Group
Sector :	Metal and machinery - Manufacture of electric domestic appliances
Number employed:	5360

Employment effects:

Announcement Date:	2005-12-23
Planned job reductions (min.):	400
Planned job reductions (max.):	400
Type of restructuring:	Internal restructuring
Employment effect start:	
Employment effect timeline:	
Direct dismissals:	
Other job reduction measures:	
Planned job creation:	

Additional information:	Gorenje, a producer of large household appliances with a 4% European market share, plans to tighten its cost efficiency policy and dismiss 400 workers. Announced joint-venture with a local unit of Schefenacker might hire a bulk of the group.

Sources:	Dnevnik, 2005-12-23
Links:	

Fact Sheet Details

Company: Vesna

Geographic location:

Country:	Slovenia
Region:	Slovenia ; Slovenija
Affected unit(s):	

Company:

Group :	
Sector :	Electrical - Manufacture of electrical machinery and apparatus n.e.c.
Number employed:	229

Employment effects:

Announcement Date:	2005-11-26
Planned job reductions (min.):	103
Planned job reductions (max.):	229
Type of restructuring:	Internal restructuring
Employment effect start:	
Employment effect timeline:	
Direct dismissals:	
Other job reduction measures:	
Planned job creation:	

Additional information:	Management of Vesna, a producer of batteries and accumulators, proposed in its restructuring plan to keep some of its production in Maribor at the cost of more than 100 jobs lost. Most of the redundant workers are found amongst the administration. Worst case scenario - moving the production to company's other unit in FYR Macedonia - is, however, not yet written-off.

Sources:	Delo, 2005-11-26
Links:	http://www.vesna.si/english/index2.htm

Fact Sheet Details

Company: Siteco

Geographic location:	**Country:**	Slovenia
	Region:	Slovenia ; Slovenija
	Affected unit(s):	

Company:	**Group :**	Siteco
	Sector :	Electrical - Manufacture of lighting equipment and electric lamps
	Number employed:	396

Employment effects:	**Announcement Date:**	2005-09-21
	Planned job reductions (min.):	396
	Planned job reductions (max.):	396
	Type of restructuring:	Offshoring/Delocalisation
	Employment effect start:	
	Employment effect timeline:	2006-02-28
	Direct dismissals:	
	Other job reduction measures:	
	Planned job creation:	

Additional information:

A Maribor based filial of German Siteco, manufacturer and supplier of interior, outdoor and custom lighting solutions, is terminating its business operations for failing to satisfy profit expectations of a major shareholder, international investor JPMorgan. Company has been listed as one of 100 most promising industrial units in Slovenia with a 20% average growth rate and a profit margin of up to 17% during last five years. Production lines will be moved to China and most of nearly 400 employees will be left jobless by February 2006. The company's research unit, together with engineers, will be relocated to Germany's headquarters.

Sources:

Dnevnik, 2005-09-24
Delo, 2005-09-26

Links: http://www.siteco.si/company/?currency=SIT&lang=en&javascript=true

Fact Sheet Details

Company: Iskraemeco

Geographic location:

Country:	Slovenia
Region:	Slovenia ; Slovenija
Affected unit(s):	

Company:

Group :	
Sector :	Electrical - Manufacture of electricity distribution and control apparatus
Number employed:	1900

Employment effects:

Announcement Date:	2005-08-19
Planned job reductions (min.):	100
Planned job reductions (max.):	
Type of restructuring:	Internal restructuring
Employment effect start:	
Employment effect timeline:	2005-12-31
Direct dismissals:	
Other job reduction measures:	100
Planned job creation:	

Additional information:

One of the leading global producers of equipment and systems for energy measurement and management segmentation has showed weaker business records in 2005, primarily due to a shrinking demand of classical electricity meters in its traditional markets and the increase of raw materials' prices. Five hundred, mainly short-term contractors, have lost their jobs since January 2005 and using softer methods for decreasing number of employees (prior retirement, compensations for dismissals)another hundred will follow by the end of 2005. Restructuring processes include increasing production of electronic meters to two thirds (at the expense of electromechanical). Iskraemeco is one of only few Slovene companies where its employees control the majority of stocks.

Sources:

Dnevnik, 2005-08-19
Finance, 2005-08-21

Links:

http://www.finance-on.net/show.php?id=128868

Annex 2:

State subsidies by sector in percentage and absolute terms

	Naziv dejavnosti	2003				2004			
		DP v mio SIT	Delež DP	Delež DP v dodani vrednosti	DP na zaposl.	DP v mio SIT	Delež DP	Delež DP v dodani vrednosti	DP na zaposl.
A	Kmetijstvo, lov, gozdarstvo	25.426,5	29,3%	25,0%	263.080	23.333,1	23,9%	20,6%	250.693
B	Ribištvo in ribiške storitve	53,9	0,1%	7,2%	180.707	21,1	0,0%	2,9%	72.581
C	Rudarstvo	3.822,5	4,4%	16,3%	808.128	3.373,3	3,5%	15,2%	783.279
D	Predelovalne dejavnosti	23.383,8	27,0%	2,0%	94.894	26.604,7	27,3%	2,2%	109.016
E	Oskrba z električno energijo, plinom in vodo	1.480,3	1,7%	1,3%	123.732	1.931,4	2,0%	1,6%	164.048
F	Gradbeništvo	737,4	0,8%	0,3%	11.200	944,8	1,0%	0,4%	14.516
G	Trgovina, popravila motornih vozil in izdelkov široke porabe	2.508,8	2,9%	0,5%	22.906	2.354,8	2,4%	0,5%	21.486
H	Gostinstvo	769,5	0,9%	0,8%	26.045	1.042,7	1,1%	1,0%	35.181
I	Promet, skladiščenje in zveze	12.078,1	13,9%	4,1%	224.603	19.194,5	19,7%	6,3%	362.104
J	Finančno posredništvo	47,4	0,1%	0,0%	2.283	69,9	0,1%	0,0%	3.304
K	Poslovanje z nepremičninami, najem in poslovne storitve	5.798,5	6,7%	0,9%	80.672	3.738,5	3,8%	0,6%	50.520
L	Dejavnost javne uprave in obrambe, obvezno socialno zavarovanje	337,5	0,4%	0,1%	7.015	4.382,2	4,5%	1,6%	86.809
M	Izobraževanje	2.901,5	3,3%	1,3%	51.534	2.165,7	2,2%	1,0%	37.856
N	Zdravstvo in socialno varstvo	3.599,1	4,1%	1,7%	75.824	2.839,4	2,9%	1,3%	57.003
O	Druge javne, skupne in osebne storitvene dejavnosti	3.579,9	4,1%	2,6%	123.971	5.492,6	5,6%	3,9%	188.034
	Neopredeljeno	231,8	0,3%			136,4	0,1%		

A – Agriculture, forestry, hunting
B – Fishing
C – Mining
D – Manufacturing
E – Electricity, gas and water supply
F – Construction
G – Wholesale and retail trade, repair of motor vehicles
H – Hotels and restaurants
I – Transport, storage and communications
J – Financial intermediation
K – Real estate, renting and business activities
L – Public administration
M – Education
N – Health and social work
O – Other community, social and personal services