SLOVENIA AS A TEST CASE

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Slovenia: Strong economic performance

GDP p.c. in PPS (EU 27 = 100)

In 1997-2007 period:
• Slovenia halved its lag behind EU 15
• Caught up with Southern Europe (ITA, GR, ES, PT)

Source: Eurostat, 2008
Slovenia: current challenges

Advancing from efficiency-driven to innovation-driven economic development

Overcoming traditional Slovenian subsistence-oriented risk sharing
Slovenian traditional risk-sharing system

FAMILY & LOCALITY: Crucial & lifelong tie

STATE: “State should take care”

WORK: “True work is hard work”

Shadow economy

Labour market: Immobile flexibility

Welfare state: social, passive continental type

Economic policies: state as initiator & centralised policy making

Work organisation: Fordist

Innovation system: Process & Incremental

Family’s helping hand

EVOLUTION

EXPERIMENTATION

CAUTION

Family's helping hand

Slovenian traditional risk-sharing system

Shadow economy

Labour market: Immobile flexibility

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Economic policies: state as initiator & centralised policy making

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Family’s helping hand

EVOLUTION

EXPERIMENTATION

CAUTION
Slovenia 2005: high intensity and low autonomy at work
Work intensity

Figure 2: Evolution of perceived work intensity in new member states, 2000-2005

Slovenia: Dramatic increase in perceived work intensity in 2000-2005

Source: EFILWC, 2007
Determinants of pace of work

Slovenia 2005: work determined more by machine than by people

Demands from interaction with people

Source: EFILWC, 2007
Determinants of pace of work

Demands from interaction with people

Slovenia 2005: control from a superior is important

Source: EFILWC, 2007
Satisfaction at work

Source: EFILWC, 2007

Working conditions & job security

Calculation includes:
- work intensity
- work autonomy
- physical work factors
- perception of losing the job

Source: Leschke, Watt; 2008, p. 17
Sickness leaves

Average sickness leave days per employee, 2005

Slovenia 2005: worst EU sickness leave profile

Source: EFILWC, 2007
Slovenian competitiveness: summary

Until now:

- increased focus on **efficiency and flexibility**:
  - Higher work intensity & quality demands
  - Temporary & student employment
  - (Unpaid) Overtime

Result: subsistence risk-sharing

- Working hard but relatively low value-added
- De-motivated workforce
- Combining work with shadow economy, family assistance and social welfare to improve living standard

Current and future development: exiting the subsistence risk-sharing?
## Typology of Slovenian companies

<table>
<thead>
<tr>
<th>REGIONAL</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OLD</strong></td>
<td><strong>NEW</strong></td>
</tr>
<tr>
<td>(ex-socialist)</td>
<td>(post-socialist)</td>
</tr>
<tr>
<td>• Large companies in manufacturing and services</td>
<td>• Large companies in manufacturing sector</td>
</tr>
<tr>
<td>• Technological followers</td>
<td>• Top technology, strong R&amp;D</td>
</tr>
<tr>
<td>• Slovenia’s economic engine during transition</td>
<td>• Gradually abandoning subsistence approach due to innovation-based market competition</td>
</tr>
<tr>
<td>• Developed into (strong) regional players</td>
<td>• Re-focusing on product/technological innovation</td>
</tr>
<tr>
<td>• Slowest in abandoning subsistence-oriented approach</td>
<td>• Either global players or parts of MNCs</td>
</tr>
<tr>
<td>• Political and managerial alliances</td>
<td>• Experimenting to move from Chandlerian innovation to implement open innovation approach</td>
</tr>
</tbody>
</table>

**EXAMPLES**

**REGIONAL**
- Merkur, Mercator

**GLOBAL**
- Kolektor, Gorenje, Danfoss Trata, Lek-Sandoz

**NEW**
- Parsek

- **EXAMPLES**
- Instrumentation Technologies, Noovo, Systec

*Source: own analysis*
Kolektor: Slovenia’s most local player in a global game

- World market leader in commutators (since early 1990’s)
- Located in a small, close-knit community
- Established by the state in 1963 to provide jobs

Strong relationship between the company and its locality:
- Working ethics
- Additional output flexibility through outsourcing to workers
- Openness to global trade
- Mobilisation of the locality to improve and sustain Kolektor’s global competitiveness

Company shifting focus from efficiency (subsistence orientation) to innovation
- Shift from Chandlerian to open-innovation approach
Playground for employee’s creativity
Where
The new economy is done the old way

- One of the few student companies in Slovenia, founded in 1999, IT sector
- Alternative use of institutions facilitated its growth
  - **Student workforce** as means of output flexibility and low costs
- Early internationalisation (Ex-YU, Japan, USA)
- Now a stable company has left behind its initial “all-student workforce” approach
- Parsek used by its founders as a risk hedge, **stable base for new ventures** (Noovo)
- Open innovation, networking, attractiveness as employer
Danfoss Trata: Slovenian Scandinavia

• Acquired by Danfoss in 1995, thereafter:

  • **Excellence center** within Danfoss, **strong R&D** department
  
  • **Strong loyalty and “Danfoss” culture**: Global values but appreciative to the local context
  
  • Chain reaction of **excellence and learning**, putting the employee as co-creator of change and excellence
  
  • **Employees’ participation** and co-creating in the management and leadership processes: **high employee satisfaction**
Lek-Sandoz: independent strategist within a multinational

- Lek: Slovenian pharmaceutical blue chip
- Acquired by Novartis/Sandoz in 2002
- Lek as a winner of integration into Sandoz:
  - Role of integral internal lab: Lek is small but has all the business functions: excellence center
  - Combination of subversive strategizing and cooperation – Lek securing an individual role within Sandoz
- No such identification with the mother multinational as in the case of Danfoss Trata
  - Retaining we:them position
Instrumentation Technologies: small global hi-tech leader

- Started in 1998, today medium-size company
- Based purely on knowledge and innovation (laser hi-tech for particle accelerators)
- Global from the start
- Slovenia as a place for entrepreneurship: better than Sillicon Valley?
- Open innovation
- Dynamising the region, engaging old Chandlerian players into common projects
- High public profile: praised entrepreneurs
Slovenia: towards enabling welfare state

Research shows companies have embarked on innovation-driven competitiveness path

What policies to support it, speed it up?

Slovenia: strong social welfare but lagging behind in enabling institutions
Slovenia: developed social welfare

Income equality: Gini coefficients and world rankings, 2005

<table>
<thead>
<tr>
<th></th>
<th>DK</th>
<th>SWE</th>
<th>NOR</th>
<th>FIN</th>
<th>SLO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>24,7 (1st)</td>
<td>25,0 (3rd)</td>
<td>25,8 (6th)</td>
<td>26,9 (10th)</td>
<td>28,4 (15th)</td>
</tr>
</tbody>
</table>

Source: UN HDR, 2006

Social protection exp. as % of GDP

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic avg.</td>
<td>29,7</td>
<td>28,8</td>
<td>28,9</td>
<td>29,2</td>
<td>30,2</td>
<td>30,1</td>
</tr>
<tr>
<td>SLO</td>
<td>25,0</td>
<td>25,2</td>
<td>25,5</td>
<td>25,3</td>
<td>24,6</td>
<td>24,3</td>
</tr>
<tr>
<td>EU-25</td>
<td>n.a.</td>
<td>n.a</td>
<td>n.a</td>
<td>27,0</td>
<td>27,4</td>
<td>27,3</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>n.a.</td>
<td>n.a</td>
<td>n.a</td>
<td>20,2</td>
<td>20,2</td>
<td>19,6</td>
</tr>
</tbody>
</table>

Source: Stat.si, 2007
Slovenia: integration of women in the labour market

Figure 5: % of women aged 15-64 economically active

Slovenia: family an important institution, but not Mediterranean type

Source: Eurostat, 2008
Slovenia as enabling (welfare) state

Expenditure on active LMP measures – training, job rotation, employment incentives

(% of GDP)

Source: Eurostat, 2008
Enabling welfare

Structure of social expenditure (% of total)

<table>
<thead>
<tr>
<th></th>
<th>CASH – pensions</th>
<th>CASH – other benefits</th>
<th>IN-KIND – healthcare</th>
<th>IN-KIND – others</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORDIC COUNTRIES</td>
<td>39</td>
<td>21,5</td>
<td>20</td>
<td>19,5</td>
</tr>
<tr>
<td>EU-15</td>
<td>47</td>
<td>20</td>
<td>24</td>
<td>9</td>
</tr>
<tr>
<td>SLOVENIA</td>
<td>47</td>
<td>21</td>
<td>28</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Eurostat, 2008; own analysis

SOCIAL PROTECTION BENEFITS:

- **Cash – pensions**: disability, old-age, survivor’s…
- **Cash – other benefits**: unemployment, maternity leave, sickness leave…
- **In-kind benefits – healthcare**: provision of healthcare services
- **In-kind – other benefits**: kindergarten, assistance at home, vocational training
Enabling welfare

Spending on vocational training and total enabling welfare*

<table>
<thead>
<tr>
<th>Category/Group</th>
<th>NORDIC vs. EU-15</th>
<th>SI vs. EU-15</th>
<th>SI vs. NORDIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational training</td>
<td>197%</td>
<td>37%</td>
<td>19%</td>
</tr>
<tr>
<td>Total other in-kind benefits</td>
<td>372%</td>
<td>53%</td>
<td>14%</td>
</tr>
<tr>
<td>Total in-cash benefits + healthcare</td>
<td>106%</td>
<td>66%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Slovenia far behind in enabling services (vocational training, childcare, care for the elderly)

Source: Eurostat, 2008; own analysis

*(derived from PPP data)
### Education: Slovenia at par with Nordic countries (?)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total public expenditure on education as % of GDP (2005)</th>
<th>Total private expenditure on education as % of GDP (2005)</th>
<th>Average school expectancy in years (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>5.83</td>
<td>0.81</td>
<td>17.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>8.28</td>
<td>0.57</td>
<td>18.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.97</td>
<td>0.19</td>
<td>19.9</td>
</tr>
<tr>
<td>Finland</td>
<td>6.31</td>
<td>0.13</td>
<td>20.3</td>
</tr>
<tr>
<td>Norway</td>
<td>7.02</td>
<td>/</td>
<td>18.3</td>
</tr>
<tr>
<td>EU-15</td>
<td>4.86</td>
<td>0.59</td>
<td>17.3</td>
</tr>
</tbody>
</table>

Source: Eurostat, 2008
# Enabling welfare: Life-long learning

## Education and life-long learning

<table>
<thead>
<tr>
<th>Country</th>
<th>% of population aged 18-24 having completed at least upper-secondary education</th>
<th>% of population aged 25-64 participating in the educational process (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>89,4</td>
<td>15,0</td>
</tr>
<tr>
<td>Denmark</td>
<td>77,4</td>
<td>29,2</td>
</tr>
<tr>
<td>Sweden</td>
<td>86,5</td>
<td>32,1</td>
</tr>
<tr>
<td>Finland</td>
<td>84,7</td>
<td>23,1</td>
</tr>
<tr>
<td>EU-25</td>
<td>77,7</td>
<td>10,1</td>
</tr>
</tbody>
</table>

Source: Stat.si, 2008
Slovenia as enabling (welfare) state

Paid maternity leave (weeks, FTE equivalent)

Slovenia 2006: world’s longest fully-paid maternity leave

Source: CEPR, 2008
Making Slovenia more “enabling”: Policy recommendations

- Further develop ALM policies:
  - Shift developmental focus from companies to individuals
  - Focus on life-long learning, training – making labour market more flexible
  - Decentralization of ALM policies, e.g. strengthen local cooperation between institutions (t. unions, companies, vocational schools…)
  - Incorporate 55+ year old into labour market
Making Slovenia more “enabling”: Policy recommendations

- Further develop “enabling” services to free families
- Continue supporting innovative projects that help people and companies to become members of internationally most progressive business networks
Sources

- European Comission (2005): Industrial relations in Europe
- Instituto Nacional de Estadistica (2008)
- Leschke, Watt (2008)
Sources

- Statistical Office of the Republic of Slovenia (www.stat.si)
- Statistics Denmark, 2008
- Stanojević M. (2003): Production coalitions in Slovenian companies