

University of Ljubljana

FACULTY OF  
ECONOMICS

.....  
.....  
.....  
.....  
.....  
..... 60 YEARS

# SLOVENIA AS A TEST CASE

**Prof. Marko Jaklič, Ph.D.**  
**Aljaž Hribernik, M.Sc.**

**Helsinki, 18-19.3.2009**

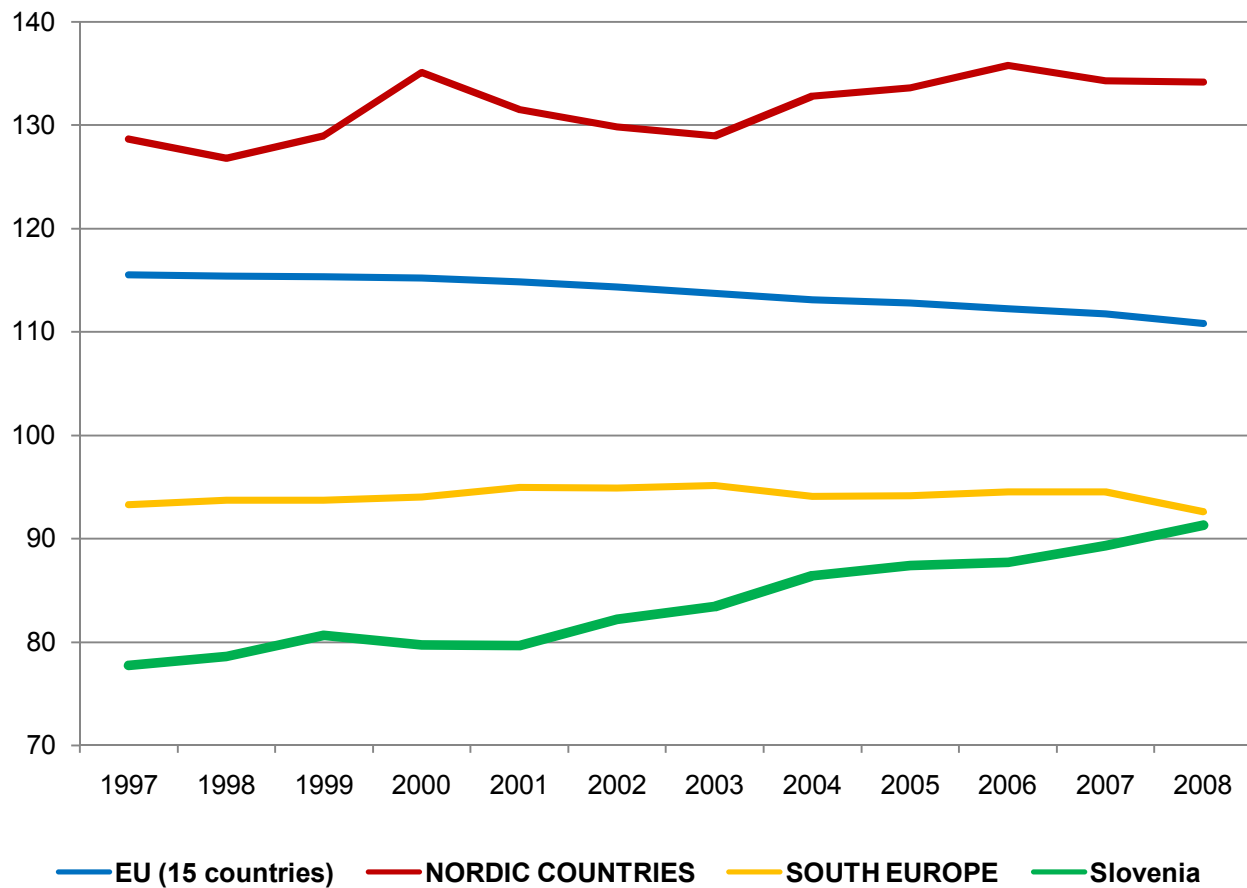


# Slovenia: Strong economic performance

## 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

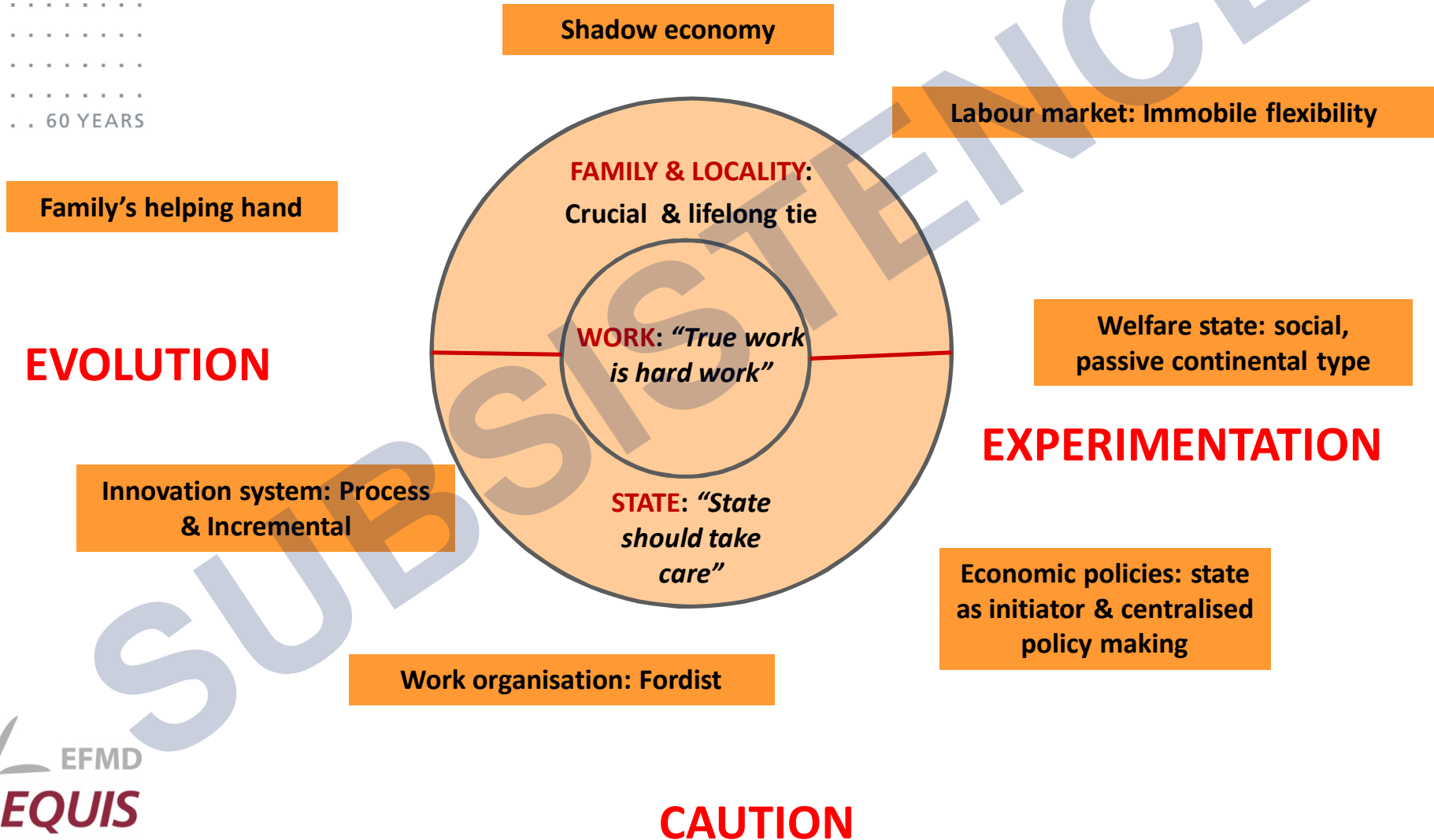
---

Advancing **from efficiency-driven to innovation-driven** economic development



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

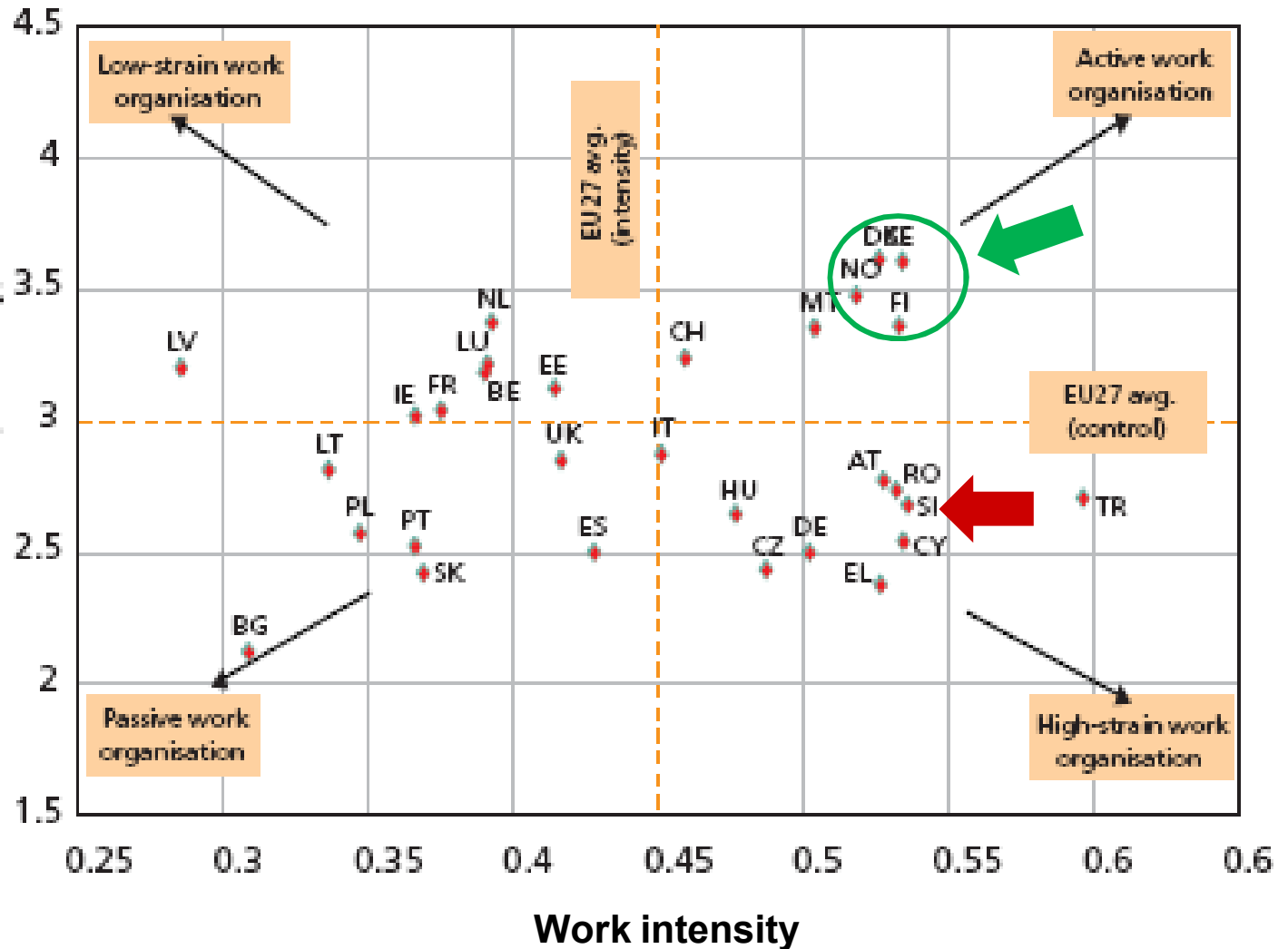
# Slovenian traditional risk-sharing system



# Work environment

**Slovenia 2005: high intensity and low autonomy at work**

Autonomy at work




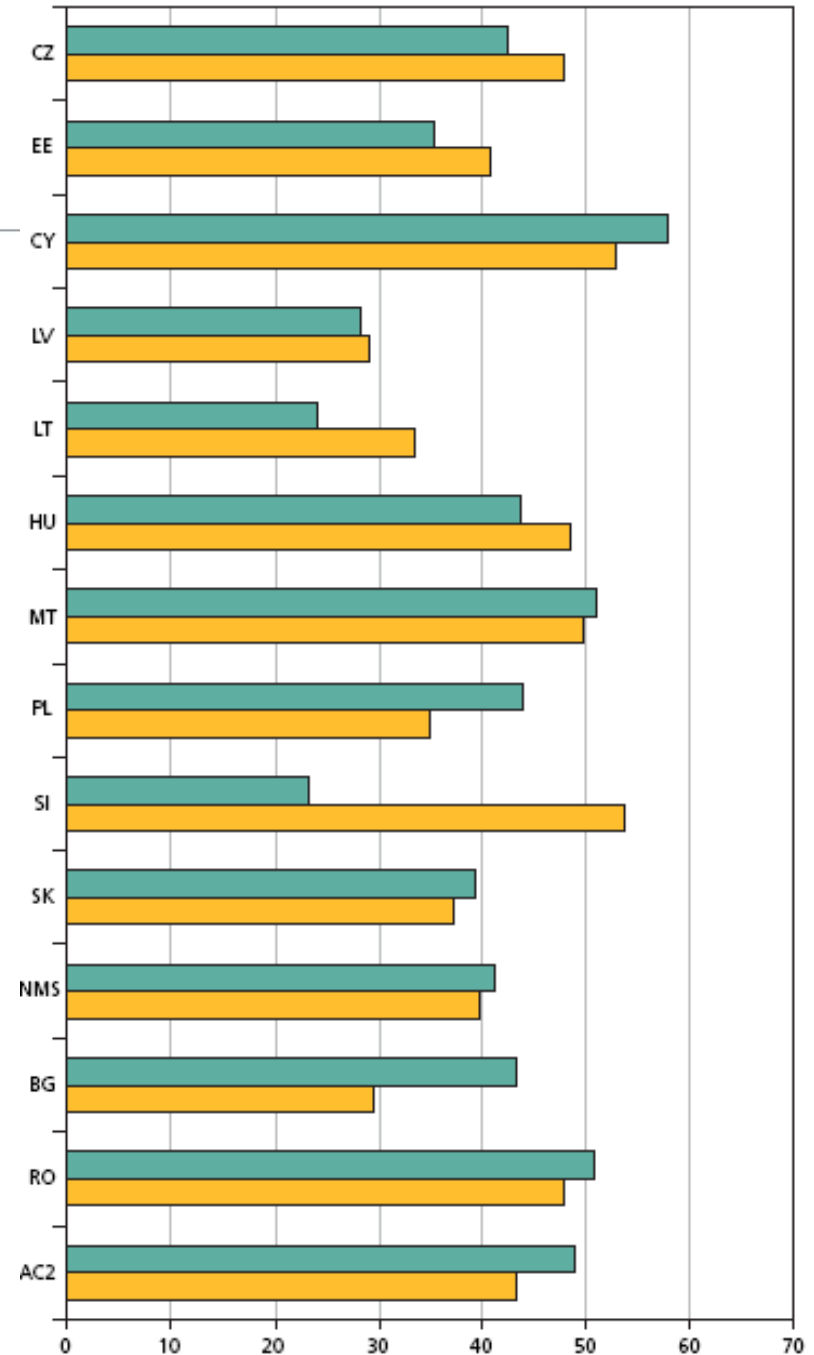
Source: EFILWC, 2007

# 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**

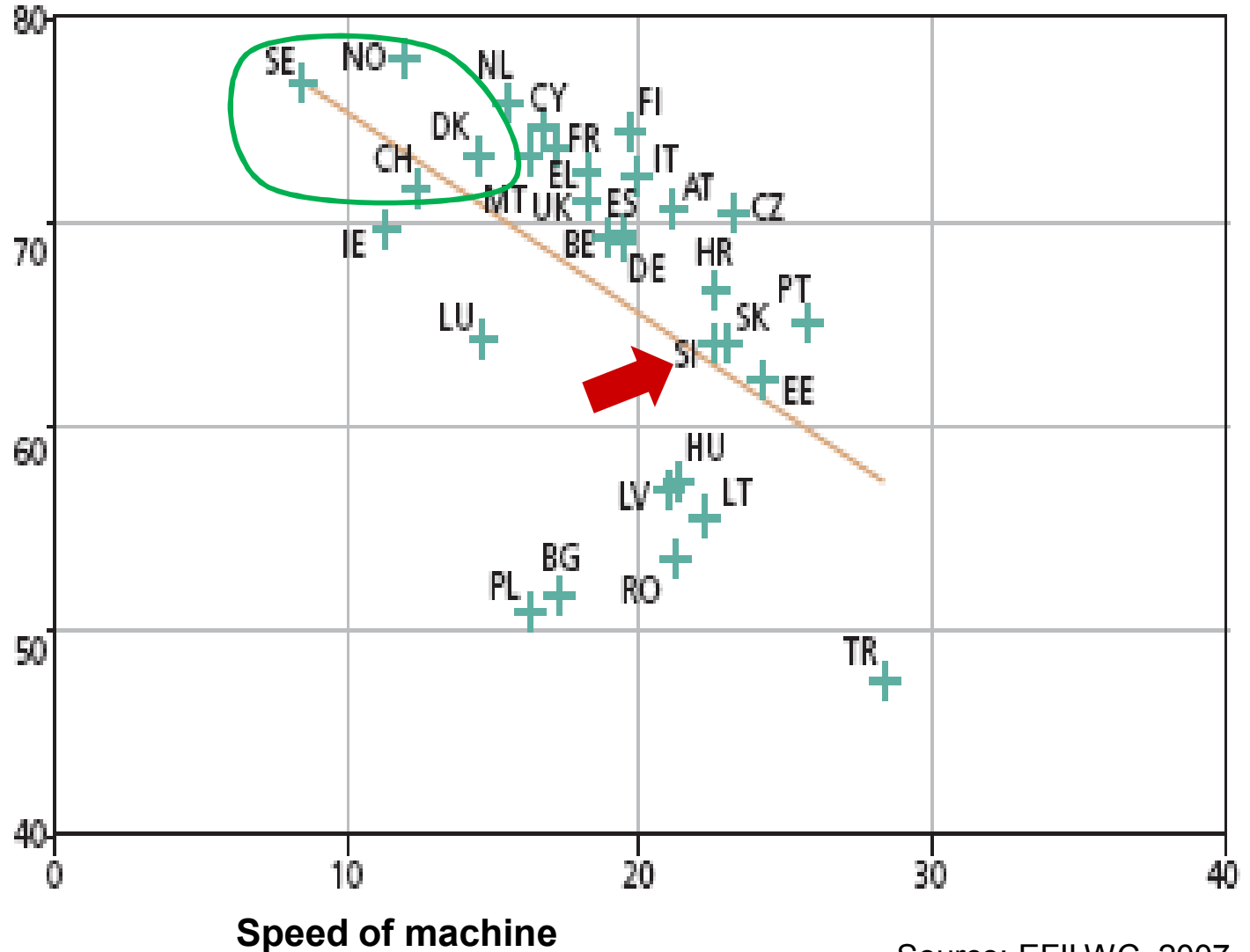
 = 2000  
 = 2005



# Determinants of pace of work

**Slovenia 2005:  
work determined  
more by machine  
than by people**

**Demands from  
interaction with  
people**

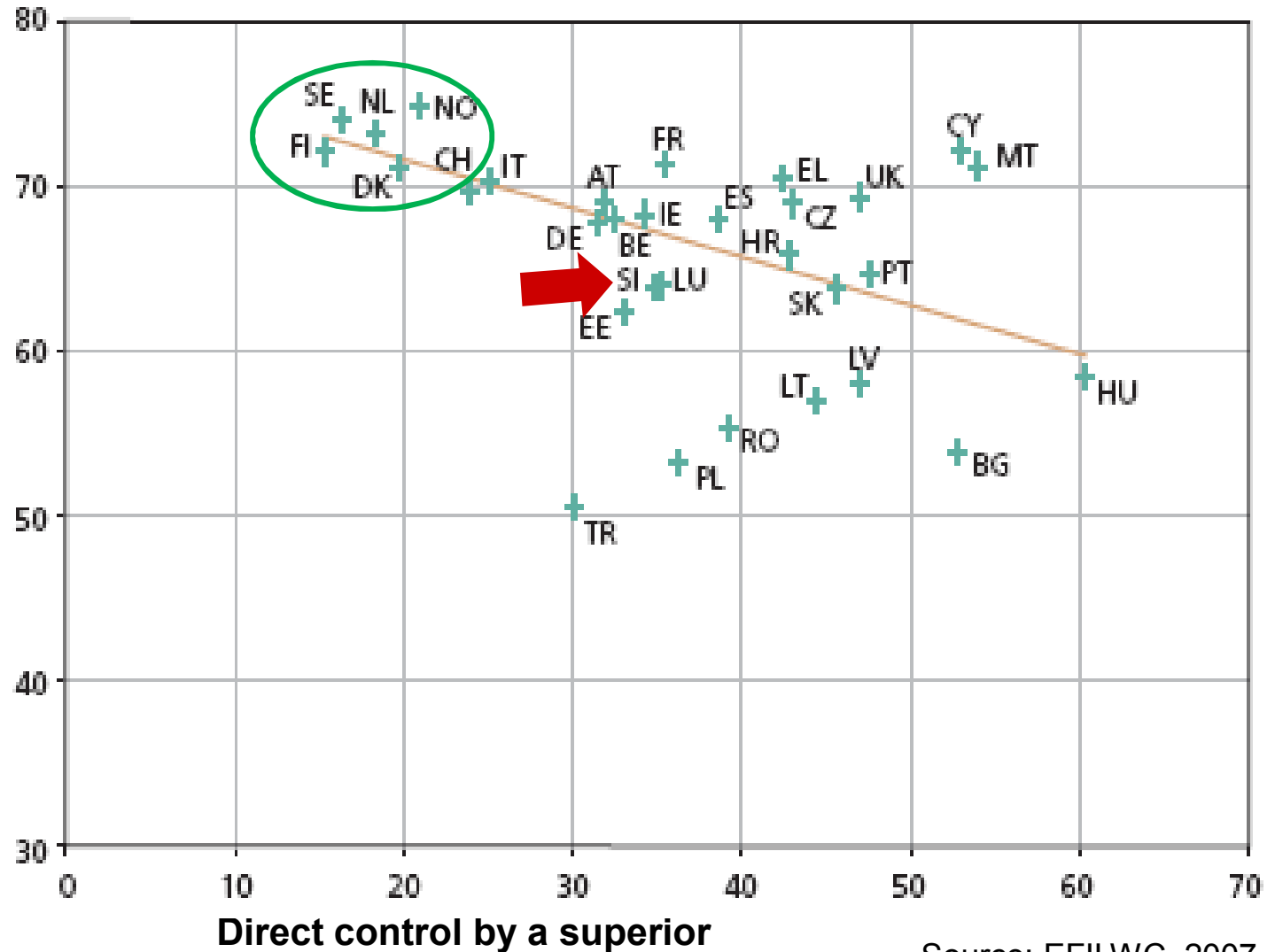


Source: EFILWC, 2007

# Determinants of pace of work

**Slovenia 2005:  
control from a  
superior is  
important**

**Demands from  
interaction  
with people**



Source: EFILWC, 2007

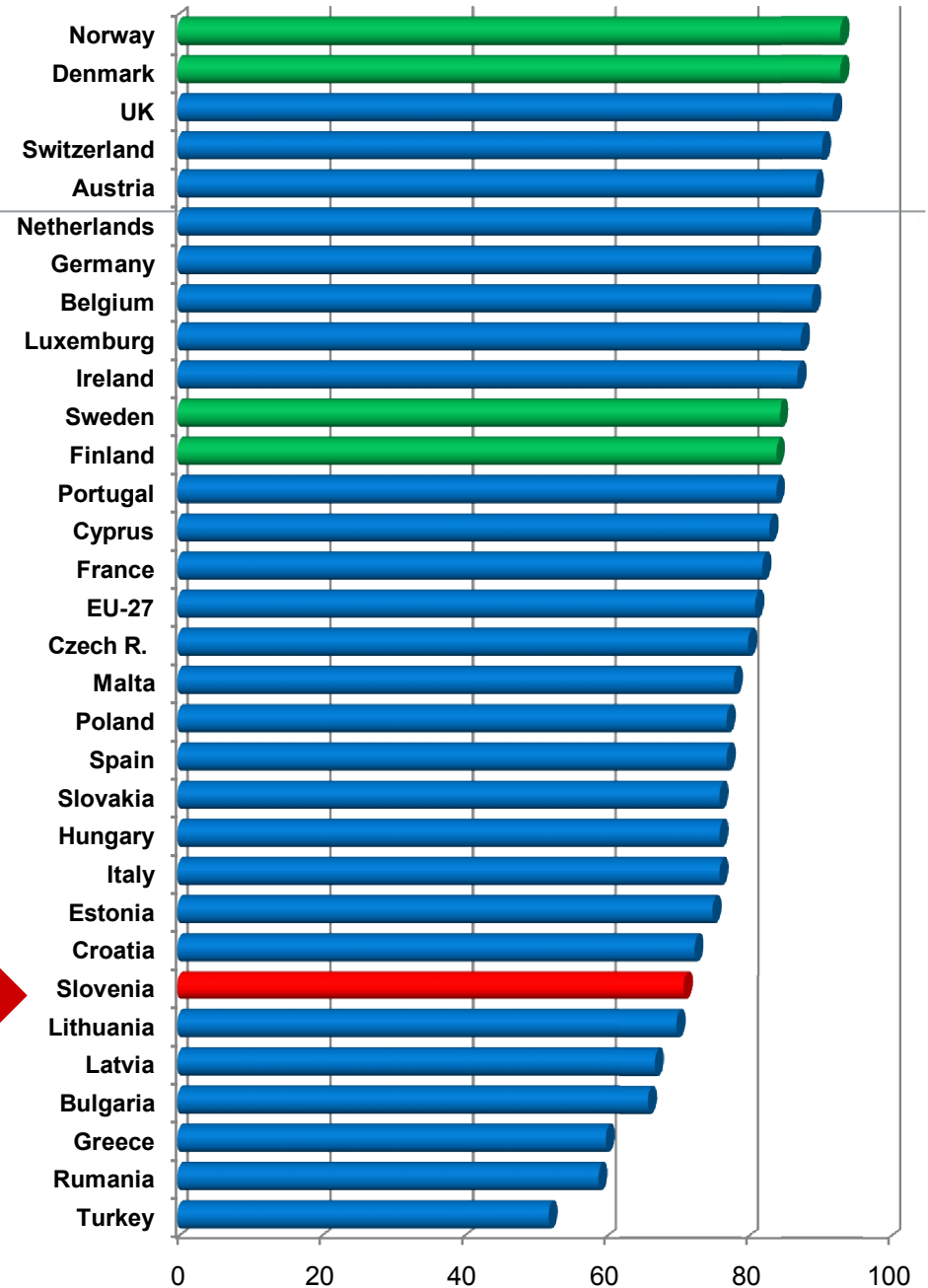


# Satisfaction at work

60 YEARS

% of satisfied employees

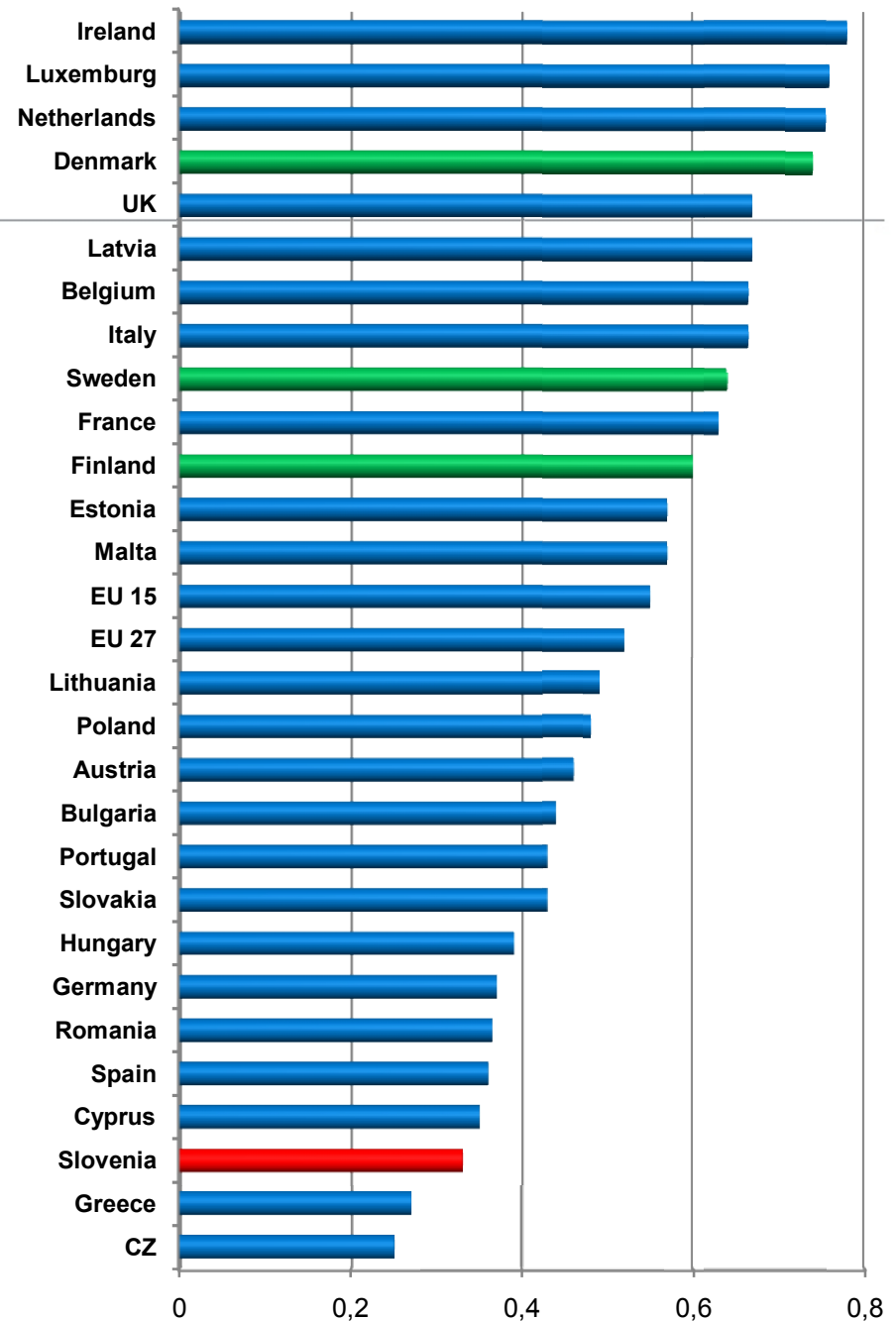
**Slovenia 2005: low work satisfaction. Nordic countries leading.**



# Working conditions & job security

Calculation includes:

- work intensity
- work autonomy
- physical work factors
- perception of losing the job

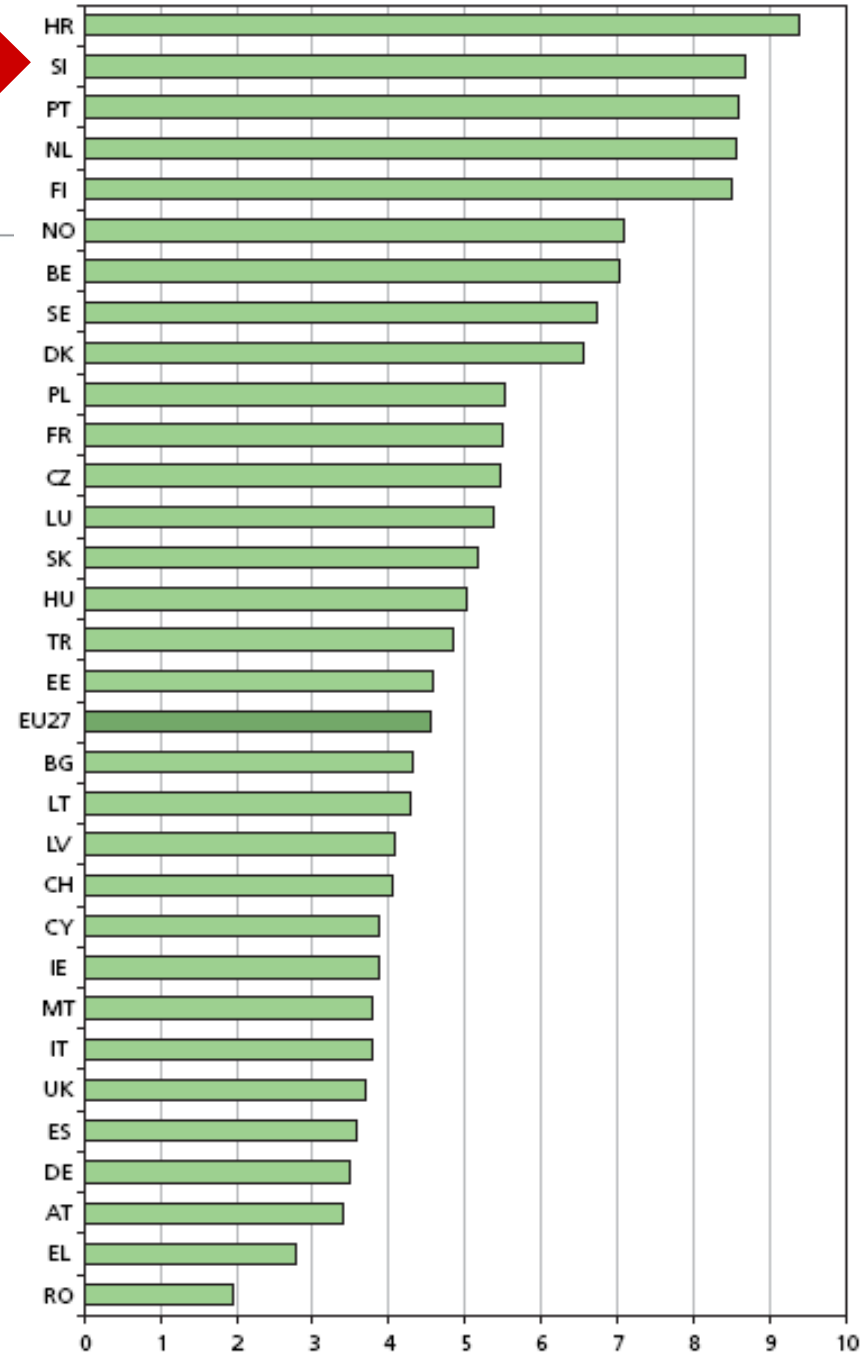


# Sickness leaves



Average sickness leave days per employee, 2005

**Slovenia 2005: worst EU sickness leave profile**



# 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

	REGIONAL	GLOBAL
<b>OLD</b> (ex-socialist)	<ul style="list-style-type: none"> <li>• Large companies in manufacturing and services</li> <li>• Technological followers</li> <li>• Slovenia's economic engine during transition</li> <li>• Developed into (strong) regional players</li> <li>• Slowest in abandoning subsistence-oriented approach</li> <li>• Political and managerial alliances</li> </ul>	<ul style="list-style-type: none"> <li>• Large companies in manufacturing sector</li> <li>• Top technology, strong R&amp;D</li> <li>• Gradually abandoning subsistence approach due to innovation-based market competition</li> <li>• Re-focusing on product/technological innovation</li> <li>• Either global players or parts of MNCs</li> <li>• Experimenting to move from Chandlerian innovation to implement open innovation approach</li> </ul>
<i>EXAMPLES</i>	<i>Merkur, Mercator</i>	<i>Kolektor, Gorenje, Danfoss Trata, Lek-Sandoz</i>
<b>NEW</b> (post-socialist)	<ul style="list-style-type: none"> <li>• Small-to-medium size firms</li> <li>• Strong dynamism, lots of new firms (IT, finance)</li> <li>• Quickly developed strong regional presence</li> <li>• Importing global technological development, tailoring to local needs</li> <li>• Abandoned subsistence-oriented approach</li> <li>• High public profile – developing entrepreneurial environment</li> </ul>	<ul style="list-style-type: none"> <li>• Most dynamic sector</li> <li>• SMEs</li> <li>• Success based on world-level technological innovation in technological niches</li> <li>• Abandoned subsistence-oriented approach</li> <li>• High public profile – developing entrepreneurial environment</li> <li>• Searching for alliances to place their products and further boost R&amp;D</li> </ul>
<i>EXAMPLES</i>	<i>Parsek</i>	<i>Instrumentation Technologies, Noovo, Systec</i>

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**

**KOLEKTORGROUP**



# 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 Silicon 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

DK	SWE	NOR	FIN	SLO
24,7 (1st)	25,0 (3rd)	25,8 (6th)	26,9 (10th)	28,4 (15th)

Source: UN HDR, 2006

## Social protection exp. as % of GDP

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

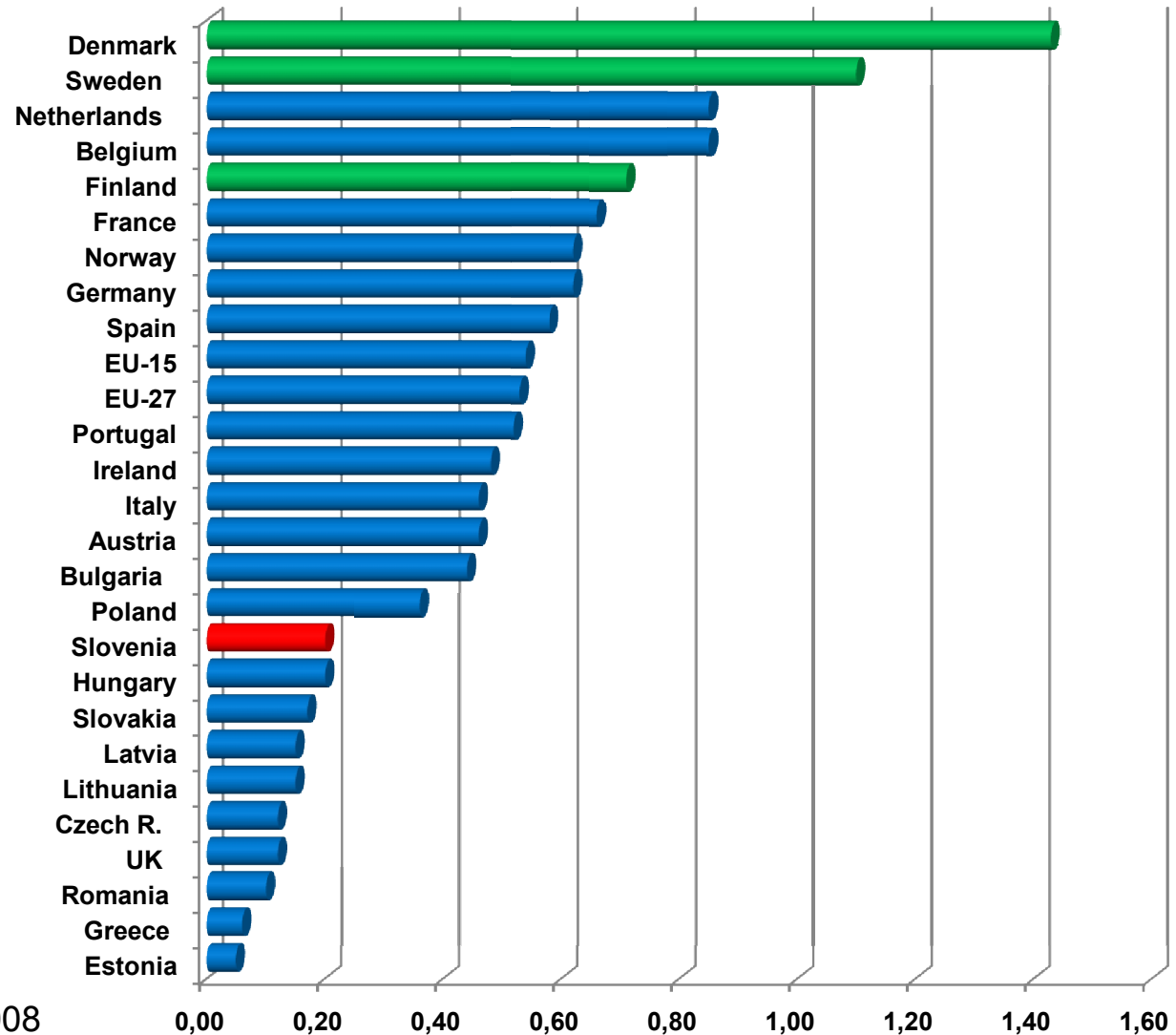
Source: Stat.si, 2007



# Slovenia as enabling (welfare) state

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

(% of GDP)



# Enabling welfare

## Structure of social expenditure (% of total)

	CASH – pensions	CASH – other benefits	IN-KIND – healthcare	IN-KIND – others
NORDIC COUNTRIES	39	21,5	20	19,5
EU-15	47	20	24	9
SLOVENIA	47	21	28	4

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\*

Category/Group	NORDIC vs. EU-15	SI vs. EU-15	SI vs. NORDIC
Vocational training	197%	37%	19%
Total other in-kind benefits	372%	53%	14%
Total in-cash benefits + healthcare	106%	66%	62%

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



# Enabling welfare

## Education : Slovenia at par with Nordic countries (?)

Country	Total <b>public expenditure</b> on education as % of GDP (2005)	Total <b>private expenditure</b> on education as % of GDP (2005)	Average <b>school expectancy</b> in years (2006)
<b>Slovenia</b>	<b>5,83</b>	<b>0,81</b>	<b>17,9</b>
Denmark	8,28	0,57	18,9
Sweden	6,97	0,19	19,9
Finland	6,31	0,13	20,3
Norway	7,02	/	18,3
EU-15	4,86	0,59	17,3

Source: Eurostat, 2008

# Enabling welfare: Life-long learning

## Education and life-long learning

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

Source: Stat.si, 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 foundation for the Improvement of Living and Working Conditions (2007): 4th European Working Conditions Survey
- European Commission (2005): Industrial relations in Europe
- Eurostat (2008): [www.europa.eu/eurostat](http://www.europa.eu/eurostat)
- Instituto Nacional de Estadística (2008)
- Leschke, Watt (2008)
- LO Denmark, (2008): Flexible labour market needs strong social partners. [www.lo.dk](http://www.lo.dk)
- LO Sweden (2008): [www.lo.se](http://www.lo.se)

# Sources

---

- Moeller J.O. (2005): The secret of Nordic success
- Statistical Office of the Republic of Slovenia ([www.stat.si](http://www.stat.si))
- Statistics Denmark, 2008
- Toš N. (1990, 1995, 1998): Slovensko javno mnenje – vrednote v prehodu
- Stanojević M. (2003): Production coalitions in Slovenian companies
- World Economic Forum (2008): Global Competitiveness Report 2001-2008
- World Economic Forum (2005, 2007): The Lisbon Review 2004, 2006