

## National Report - Slovenia

### Company case 1

#### *About the company*

The first company has been a part of a global corporation since 1998, and it is one of the leading tire manufacturers in the country. The company operates a major manufacturing facility in west Slovenia, which has seen significant investment and expansion over the years. Since its establishment, it has invested over 370 million euros in this facility to enhance its production capabilities and maintain competitiveness. The company is known for its focus on producing high-quality, premium-segment tires and its commitment to continuous improvement and innovation. In response to growing demand for premium, larger-rim-diameter tires in Europe, the company invested 94 million euros to expand its Kranj facility, increasing its capacity by approximately 25 %. This expansion includes the addition of advanced tire-building machines and new production lines, enabling the production of an additional 1.8 million premium tires annually. The Slovenia part of the corporation is dedicated to innovation is also reflected in its efforts to develop sustainable and environmentally friendly production processes.

In 2023, the company increased its sales revenue by 2.75 %, reaching 294.16 million euros. The increase in total net sales revenue is the result of an improved sales program structure and higher prices. At the beginning of 2023, they completed an investment project, into which they had invested 94 million euros over the past few years, enabling the establishment of production for 20-inch tires. The company also experienced a decline in demand for certain programs and segments for passenger cars, trucks, and buses in 2023. Sales growth was only seen in all-season tires, which increased by 7 % compared to 2022.

In 2023, they continued with regular investments in the production plant, with total investment expenditures amounting to 10.83 million euros. Operating profit decreased from 4.47 million euros in 2022 to an operating loss of 0.21 million euros in 2023. The net loss in 2023 amounted to 0.84 million euros.

The company employs around 1,800 workers, making it one of the largest employers in the region. The workforce is highly skilled, with a significant number of workers working in production, maintenance, and engineering roles. The company places a strong emphasis on employee development, offering various training programs, career advancement opportunities, and educational support. Labor relations at the company are well-established, with a high level of unionization. However, there are no binding collective agreements in place, either at the sectoral level or the company level. The company maintains a collaborative relationship with its workers, ensuring that their rights and interests are well-represented. In larger companies like the one selected, there are highly effective works councils, and workers are also represented at the board level. This structure facilitates direct worker participation and helps in addressing employee concerns effectively. Besides that, the company prioritizes employee well-being, offering competitive salaries, additional pension insurance, accident insurance, and various health and wellness programs. The company recognizes and rewards long-term employed workers, organizes events for workers and their families, and supports community engagement through volunteer projects.

#### *Interviewees*

The interviewees in this company were the President of the Workers' Council, who has been with the company for 33 years and has served as President for 22 years, though he is not a union member; the

Union Representative, who has 32 years of service, 25 years as a union member, 15 years as a union trustee, and 20 years on the Workers' Council; and the HR Representative, who has been with the company for 7 years and handles recruitment, compensation, disciplinary actions, talent development, performance evaluations, issues related to employees with disabilities, and collaborates with lawyers on legal matters.

#### *Labour relations in the company*

The President of the Workers' Council rated the overall labor relations a 7 out of 10. He highlighted that the economic situation and the industry, being part of the automotive sector, are challenging. The workforce mainly consists of individuals from former Yugoslavia, particularly Bosnia and Herzegovina. He noted that the quality of the workforce is declining, with a shrinking talent pool and sophisticated machinery requiring skilled operators. The organizational climate is poor from an HR perspective, with a turnover rate of 14 % - 16 % in 2023, despite a 16 % wage increase. He attributed 50% of the turnover to the labor market and the other 50 % to HR policies. The workforce is predominantly male, with a few women in production who often take sick leave due to the demanding four-shift work schedule. The average age of employees is 41 years, which has recently decreased. The Union Representative mentioned that labor relations have deteriorated recently. When the factory was managed by foreigners, the contacts were better, but under Slovenian management, it has become more challenging. He pointed out that many older workers have nowhere else to go, while younger employees come and go quickly. The focus in the factory is on production output, with little investment in relationships. He noted that there are about 20 departures per month in production, and the administrative staff also changes frequently. Young workers are very cost-conscious and tend to leave quickly. The HR Manager explained that all employees are directly hired, with no agency workers, and 80% are from Bosnia and Herzegovina. The company prefers to hire individuals with secondary education due to the complexity of the work and the need for computer literacy to operate sophisticated machinery. Most employees are young, with some from Serbia, Macedonia, Montenegro, Albania, Egypt, and Saudi Arabia. The company hires mainly through recommendations, offering a 600 euros bonus for successful referrals. They also participate in career fairs and have conducted recruitment tours in Bosnian cities, which were more successful than those in Serbia. The company operates 24/7 with a four-shift system, and many employees commute together to save costs. The HR Manager also mentioned that there are no binding collective agreements, but they follow a gentleman's agreement for the rubber and chemical industry, maintaining rights from previous agreements. They are working on a new collective agreement with the unions and the Workers' Council, aiming to finalize it next year. The organizational climate survey is currently underway, with results expected at the end of November. The average age of employees is 42 years, and many long-term employees are now retiring. The workforce is diverse in terms of values and religions, predominantly Muslim, which makes organizing work around holidays challenging. The physical nature of the work, combined with fasting during Ramadan, often leads to health issues. The company provides safety and health training in the employees' native languages and offers Slovenian language courses for easier communication. They have also tried employing asylum seekers, hiring 300 people last year through recommendations and agencies. Training includes mentorship and introductory seminars on safety and quality, with employees required to pass an exam before starting work.

#### *Direct employee participation and the interplay*

The President of the Workers' Council explained that the company has two trade unions and a workers' director, which is required for companies with more than 500 employees. However, he noted that the workers' director is largely symbolic, with no real authority. The two unions have 150 and 115 members respectively, making up about 16 % of the workforce. Despite this, the unions are considered

representative due to their industry affiliation. One of the unions operates as a sole proprietorship, which affects its representativeness. The management treats both unions equally. Within the Workers' Council, there is a five-member committee for health and safety, including an external safety engineer, which collaborates well with the safety department. The President also mentioned that the Workers' Council has a signed cooperation agreement with the unions, ensuring regular communication and transparency. Half of the Workers' Council members are union members, which sometimes leads to tensions, especially given the religious diversity in the workforce, predominantly Muslim. The union leaders and the workers' director are from Bosnia, and there is a tendency to increase their influence in the Workers' Council by the next term in 2028. They have specific demands, such as creating prayer rooms and reducing work during Ramadan, which management has partially accommodated by adjusting meal options but not allowing prayer rooms. The Union Representative noted fluctuations in union membership, with the larger union (KNG) having around 150 members, down from 400-500, and the smaller union (KNSS) having under 200 members. The total workforce is 1,800 employees. Cooperation between the unions varies depending on the issue, with competition over resources and influence. The larger union is part of a regional federation and is considered representative. Cooperation with the Workers' Council is generally good, with some members involved in both unions and the council. The union provides significant support to its members, including financial aid for various personal and emergency situations. The HR Manager stated that direct worker participation in decision-making is limited, with a hierarchical structure where workers report to their shift supervisors. The company demands strict adherence to instructions and procedures. They have an innovation system where employees can submit ideas, which are evaluated and rewarded if they result in savings or improvements. The company has automated many processes, reducing physical labor. Training and development are emphasized, with internal transfers and a scholarship program to retain and develop talent. The HR Manager also mentioned that there is no formal system for direct participation, but they conduct satisfaction surveys and use the feedback to improve. The Workers' Council and unions collect suggestions and present them to management. Daily interactions between production managers and workers allow for immediate feedback and problem-solving. The company also runs a community project called "Better Future," where teams of employees choose local organizations to support, with the company providing funding and paid volunteer hours.

The President of the Workers' Council emphasized that direct employee participation begins with workplace safety. The company uses various communication channels such as televisions, portals, and notice boards to inform employees, and these are introduced during the induction seminar. He noted that management support is more significant than the Workers' Council in this regard. Regarding innovation, the President mentioned that the Workers' Council takes award-winning employees twice a year to visit successful Slovenian companies to exchange experiences on employee participation in management. This initiative helps employees see the benefits of their involvement. They have visited 15 companies so far. While they cannot influence profits due to being part of a corporation, they encourage all other aspects of participation. Performance indicators are publicly accessible, with TVs in both dining areas displaying this information. The Union Representative observed that employees are not very organized, and management exerts more pressure. Satisfaction varies by department, with less hierarchical structures leading to higher satisfaction. He noted that individual or group participation is encouraged, but there are no significant rewards, leading to a lack of motivation. In his department, the environment is positive, with clear roles and good cooperation, but this is not the case everywhere. He pointed out that recognition for good work is rare, while mistakes are quickly reprimanded, which discourages initiative. The union and Workers' Council could do more to improve this, but he is unsure how. Communication is a major issue, especially with a workforce that is more than 50% foreign, mainly

from Bosnia and Herzegovina and Serbia. On innovation, the Union Representative mentioned that while there are opportunities to submit ideas, financial incentives are minimal, leading to low participation. Projects for production optimization are ongoing, but without strong financial incentives, employees are less motivated. The management is active in promoting participation, but the impact is limited. The HR Manager highlighted various initiatives to foster employee engagement, such as family days, picnics, and events for long-serving employees. These activities help build team spirit and company loyalty. In terms of work operations and products, the company is innovative, stopping machines if they are unsafe. However, repeated suggestions that are not implemented due to budget constraints reduce employee motivation. They have a "Speak Up" line to report issues, with zero tolerance for any form of violence or harassment. Employees are encouraged to report problems, but repeated unaddressed issues lead to frustration. The HR Manager also noted that while management does not make decisions without consulting the unions and Workers' Council, there is no significant conflict. They collaborate on various initiatives, such as drafting a policy for the right to disconnect. During election periods, activities increase. Suggestions mainly come through the Workers' Council, while unions focus on demands. Direct participation is limited, with unions often prioritizing their own interests over those of the workers. Recent negotiations resulted in wage increases for production workers but not for administrative staff, highlighting a disparity in representation. The HR Manager mentioned that unions and the Workers' Council are included in decision-making processes, and there is no significant conflict or disagreement. However, during the last negotiations, wage increases were secured only for production workers, not for administrative staff, indicating a focus on their own interests rather than the broader workforce.

The President of the Workers' Council observed that foreign managers are more supportive of innovation, while Slovenian managers tend to push the boundaries of legality to achieve their goals. He expressed skepticism about the future development of direct employee participation, noting that it largely depends on changes in market conditions. The Union Representative expressed frustration with the current environment, where pointing out mistakes often leads to negative repercussions. He noted that employees are hesitant to speak up due to fear of retaliation, which hampers open communication and innovation. He also mentioned that the rapid turnover of younger employees affects the stability and continuity of innovation efforts. The HR Manager was pessimistic about the future of direct employee participation, believing that indirect participation through unions and the Workers' Council will remain more prevalent. She emphasized the need to maintain the current state of participation and collaboration to ensure stability.

### *Summary*

The company is part of a global corporation and has invested significantly in its Slovenian facility, focusing on producing high-quality, premium-segment tires. Despite facing economic challenges and a decline in demand for certain products, the company has continued to invest in its production capabilities and workforce.

The company employs around 1,800 workers and emphasizes employee development and well-being. Labor relations are characterized by a high level of unionization, although there are no binding collective agreements. The company maintains a collaborative relationship with its workers, facilitated by effective works councils and worker representation at the board level. This structure supports direct worker participation, addressing employee concerns and ensuring their rights and interests are represented.

Labor relations face challenges such as a high turnover rate and a declining quality of the workforce. The company prefers hiring skilled workers and has a diverse workforce, including many employees from

Bosnia and Herzegovina. Direct employee participation in decision-making is limited, with a hierarchical structure where workers report to shift supervisors. The company has an innovation system that allows employees to submit ideas, which are evaluated and rewarded if they result in savings or improvements. However, financial incentives for innovation are minimal, leading to low participation.

The company places a strong emphasis on workplace safety and communication, using various channels to inform employees. Efforts to engage employees and encourage innovation include visits to successful Slovenian companies. However, employees are not very organized, and management exerts more pressure, leading to a lack of motivation and initiative.

Various initiatives are in place to foster employee engagement, such as family days and events for long-serving employees. Despite these efforts, repeated unaddressed issues and budget constraints reduce employee motivation. While management consults with unions and the Workers' Council, direct participation is limited, and unions often prioritize their own interests.

In conclusion, direct employee participation in the company is constrained by a hierarchical structure and limited financial incentives. While there are efforts to engage employees and encourage innovation, the overall impact is limited by management practices and the lack of a formal system for direct participation. The future development of direct employee participation largely depends on changes in market conditions and management support.

<b>COMPANY CHARACTERISTICS</b>	Part of a global corporation since 1998, leading tire manufacturer in Slovenia; over €370 million invested in the facility, with a recent €94 million expansion to increase production capacity by 25%.
	Focus on high-quality, premium-segment tires and sustainable production processes.
<b>INDUSTRIAL RELATIONS</b>	Moderate level of unionization
	Trade unions and works council
	No binding collective agreements
<b>DIRECT WORKER PARTICIPATION</b>	Direct participation in decision-making is limited.
	Various channels used to inform employees, but motivation and initiative are low due to management practices.
<b>THE ROLE OF INDUSTRIAL RELATIONS IN DIRECT WORKER PARTICIPATION</b>	Collaboration: Regular communication and transparency between Workers' Council and unions, but tensions exist due to religious diversity.
	Support: Unions provide significant support to members, but cooperation varies depending on the issue.
	Engagement Initiatives: Family days, picnics, and events for long-serving employees to foster engagement. Challenges: Repeated unaddressed issues and budget constraints reduce motivation.
<b>DIFFICULTIES</b>	Turnover: High turnover rate and declining quality of workforce. Management Practices: Limited direct participation and minimal financial incentives for innovation.

<b>IMPACTS</b>	<p>Workers: Conditions and well-being affected by high turnover and poor organizational climate.</p> <p>Company: Performance impacted by economic challenges and declining demand for certain products.</p> <p>Innovation: Efforts to engage employees and encourage innovation are limited by management practices.</p>
<b>FUTURE PROSPECTS</b>	<p>Sustainability: Future development of direct employee participation depends on market conditions and management support.</p>