

# COUNTRYREPORT Feb | 2009



## Slovenia

The Republic of Slovenia lies at the heart of Europe, where the Alps face the Pannonian plains and the Mediterranean meets the mysterious Karst. Green is the dominant colour. Woods and forests cover more than half of the country. As a small, beautiful and picturesque country, Slovenia makes a great tourist destination.

One can cross the country in a mere three or four hours, and – in the tranquillity of unspoiled nature – leave the urban rush far behind. Slovenia has 46.6 km of sea coast. The country is connected with the rest of the world by a modern highway network, railway system, international airport and seaports.

Slovenia proclaimed its constitution in December 1991, and its constitutional system is a parliamentary democracy. Under the constitution, Slovenia is a democratic republic and a social state governed by law. Since 2004 Slovenia is a member of the EU and introduced the Euro in 2007.



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## Economy

Slovenia continues to bring about its vision of a successful, internationally competitive, flexible and dynamic economy; the vision of a country that despite its small size holds a surprising number of Slovenian trademarks that are renowned all over the world. Many of this nation's pre-eminent manufactures are

closely related to recreational sports – mainly winter sports. A lot of professional skiers as well as amateurs descend snowy slopes on *Elan* skis; *Alpina* is a leading manufacturer of cross-country boots in Europe. Slovenia also plays a role in aircraft manufacturing. *Pipistrel* manufactures high-quality mi-

cro light and ultra light aircrafts under its own trademark. Did you know that *Bavaria* and *Dofour* sailboats are the products of Slovenian designers from *Seaway*? *Elan Marine* has been involved in yacht manufacture since 1949. One may hit the road to distant lands with a Slovenian motor home or touring



caravan from *Adria Mobil*. Slovenia's automotive sector boasts a world leader in the manufacture of exhaust systems for racing motorcycles – *Akrapovič*. *Simple & Logical* is the trademark of washing machines and a range of household appliances manufactured by *Gorenje*.

Advanced technological solutions, high quality, spirited innovation and ecological awareness are today integrated in the development and production orientation of many Slovenian manufacturers. Development projects are also focused on the creation of new products that gain recognition internationally, and from there make the step to becoming pre-eminent on world markets.

Entering the Euro zone in 2007 was the single most important step in Slovenia to becoming a modern, advanced and competitive European economy since its EU accession in 2004. It also became the first new member state to introduce the Euro. According to Eurostat's June 2007 forecast, Slovenia will

Macroeconomic Data	
<b>GDP per capita in 2007</b>	EUR 16,615
<b>GDP overall in 2007</b>	EUR 33.88 billion
<b>Growth in GDP in 2007</b>	6.1%
<b>Growth in GDP in 2008</b>	4.1%
<b>Inflation in 2008</b>	5.7% (SORS)
<b>Exports of goods &amp; services in 2007</b>	EUR 23.8 billion
<b>Imports of goods &amp; services in 2006</b>	EUR 24.4 billion
<b>Unemployment in 2007</b>	4.9% (surveyed unemployment level according to ILO standards)

have achieved 84 percent of the EU-25 average GDP per capita in purchasing power parity, and is thus ranked 16th among the EU-27 regarding this standard measure. In 2007 the services sector accounted for 64.1% of the total economy, followed by the industrial sector with 33.6% and the agriculture sector with 2.3%.

According to provisional structural business statistics (SBS) data for 2007, only 270 of the 101,031 enterprises were large companies with 250 or more persons employed. The highest share of large enterprises (3.1%) was registered in the fields of electric-

ity, gas and water supply. Large enterprises created more than 50% of the turnover in manufacturing, mining and energy supply.

The main export markets for Slovenia include Germany, Italy, Croatia, Austria, France, Russia, Poland, Bosnia Herzegovina, United Kingdom and Czech Republic. The major import markets are Germany, Italy, Austria, France, Croatia, Netherlands, Hungary, Spain, Czech Republic and Russia.

In general VAT in Slovenia is 20% and for food 8.5%.

## Opportunities for Investors

There are many attributes that make Slovenia a location of choice for a broad spectrum of investors. The country's capital is geographically located within a one-hour drive of 450 million consumers in Europe. This makes it very central for foreign investment to serve the emerging markets on the Balkans at reasonable overall business costs.

Slovenia is offering to new investors the unique 4Qs:

- > Quality workforce
- > Quality link to regional markets
- > Quality infrastructure
- > Quality of life

Slovenia's pivotal position at the crossroads of transport routes, well-

developed information and communication technology, physical infrastructure, technological networks and platforms, centres of excellence and clusters prove a high-level innovation and make it a location of choice for many types of businesses.

The first strategic partnerships among domestic and foreign companies can be traced back to the 1970s (*Bayer, Semperit, Naue*). The first substantial FDI inflows at the end of the 1980s and beginning of the 1990s were linked to the decision of foreign partners to invest in the equity of their Slovenian partners working under a foreign licence or on the basis of a contract (*Renault, Bosch, Siemens, Henkel, OMV*).

In addition, there were the sales of troubled local companies owned by the Development Fund. Those transactions were an overture to mass privatisation. The first entries in the area of financial services (*Bank Austria, Credit-anstalt*) also date back to that period. The largest recent FDI inflows are post-privatisation takeovers (*Goodyear*) or classic takeovers (*Lek-Novartis, Simobil-Mobilkom, SKB-Société Générale, NLB-KBC* etc).

Positive economic effects of Slovenia's integration into the internal EU market are expected to keep its real economic growth above 4% also by deploying the EU structural aid for technological development. Foreign investors initiating ventures of more than EUR 500.000

may apply for an investment bonus package under government cost-sharing grant schemes.

Efforts to attract inward investment focuses on jobs created in the medium and high technology manufacturing sector, in internationally traded services and in research & development. Investments in services that can be internationally marketed, such as customer contact centres, shared services centres, logistics and distribution, as well as regional Headquarters, can compete for co-financing.

In 2007, companies and organisations

employing 20 or more employees created EUR 6.21 billion of gross investments including new and existing assets. The 2007 nominal increase of gross investments compared to the previous year was 15.2%, while the average annual inflation rate in 2007 was 3.6%.

In the total structure of gross investments (new and existing assets in 2007, the greatest share (50.6%) was that of investments for construction work, followed by investments for machinery, transport, other equipment and cultivated assets with 46.0% and intangible fixed assets with 3.4%.

The greatest share of gross investments was created by the industry with 34.4%, followed by transport, storage and communication with 21.7%, public administration with 16.9% and wholesale and retail with 8.7% of total investments.

The main investing countries into Slovenia are Austria (32%), Switzerland (14%), Netherlands (9%), France (9%) and Germany (8%), followed by Italy, Croatia, Belgium, Luxembourg, UK, USA and others.

## Labour Market, Education and Personnel

Slovenia pulls much of its strength from its well-educated and internationally savvy workforce; the citizens are multilingual and friendly.

89% of population can communicate in at least one foreign language. English is the most popular foreign language which around 55% can communicate in, followed by German (50%), Italian, Croatian and/or Serbian, French and Spanish. Schools in Slovenia are obliged to offer at least two foreign languages: the first as a compulsory subject and the second as a core curriculum option.

Slovenia has four universities – Ljubljana, Maribor, Primorska and Nova Gorica, with the University of Ljubljana being one of the biggest in the world. The universities offer a wide range of faculties for both undergraduate and postgraduate programmes.

Also more than 50 research organisations operate independently of the universities. They differ in size, legal status, and field of research. 16 institutes have the status of National Research Institutes, carrying out especially important scientific and techno-

logical research, and also two infrastructure institutes carrying out information and communication activities.

The Slovenian Academy of Sciences and Arts (SAZU) is active in different classes of research. SAZU has 71 full and 28 associate members, as well as 81 corresponding members from scientific organisations abroad. The research work is organised in six sections: historical and social sciences, philological and literary sciences, mathematical, physical, chemical and technical sciences, natural sciences, the arts and medical sciences.

According to data provided by the Ministry of Higher Education, Science and Technology, in the current academic year (2008/09) there are 83,527 students enrolled in higher undergraduate studies and single higher education institutions with concession. 80% of those students are enrolled in full-time programs, 17,764 students are candidates for graduation. Also in this academic year students are mainly interested in programs of economy, while in the technical fields the most interesting programs are for mechanical engineering and mechatronics.

In the period from July to September 2008 the labour force in Slovenia numbered 1.066,000 persons, among them 1.023,000 persons in employment and 44,000 unemployed. Moreover there were 691,000 inactive persons. Among persons in employment there were 48,000 unpaid family workers. The unemployment rate was 4.1% (3.9% for men and 4.4% for women).

In 2007 employers notified 242,927 job vacancies, which is an increase of 6.6% over 2006.

Employment contracts must be concluded in written form. Foreign citizens may conclude a contract if they fulfil the conditions of the Employment of Aliens Act. The conclusion of an employment relationship is only possible on the basis of an application made by a worker for a publicly announced vacancy; the vacancy must be registered at the Employment Service of Slovenia. Employers must announce vacancies publicly.

Beside the regular work contract, there are two special forms of the employment contract:

### 1. Temporary employment contracts

A contract of temporary employment introduces great flexibility into employment; however, excessive use could lead to abuse of the provisions regarding dismissal of employees, which is why it is limited in terms of both time and content. The conditions applying to the conclusion of contracts of temporary employment include:

- > performance of work that, by its nature, lasts for a specified period of time only
- > replacement of a temporarily absent employee
- > temporary increase in the volume of work
- > employment of a foreign person in possession of a temporary work permit
- > employment of management staff
- > performance of work organised in project form

An employer may not conclude one or more successive temporary contracts with the same employee for the same work if the duration of such a contract or several such contracts would thereby exceed two years. An interruption of three months or less does not constitute an interruption of this two-year period.

### 2. Part-time employment contracts

The new legal regulation allows the possibility of part-time employment without restriction and with no minimum limit of working hours, if this is of interest to both employee and employer. One should draw attention to pension and disability insurance in this regard, where the insurance period accumulated in the course of part-time employment is calculated as a proportion of full-time working hours, with the part-time employee then permitted

by law to make up the difference between part-time and full-time working hours for insurance purposes by making voluntary contributions into the compulsory health insurance system.

Full-time working hours may not exceed 40 hours a week. The law or collective agreement may determine less than 40 hours a week as full-time working hours, but not less than 36 hours. Less than 36 hours per week may exceptionally be allowed for jobs that involve increased risk of injury or damage to health. An employee is obliged to work in excess of full-time working hours if so requested by the employer in the cases determined by law or by the collective agreement that applies to the activity in question. Night work may last a maximum of eight hours a week, 20 hours a month and 180 hours a year (in a period that may not exceed six months). The working day may last a maximum of ten hours.

The employers in Slovenia contribute to the social security of the employees and have to register them for health, pension and disability insurance at the competent unit of the health insurance institute.

Compulsory social security contributions are paid by both employers and employees. Employers deduct these contributions from wages or salaries, and pay them together with their contribution every month as part of payroll accounting. Self-employed persons must make their own social security contributions.

Compulsory social security schemes apply to the whole population. There are four social security schemes: pen-

sion and disability insurance, health insurance, unemployment and maternity leave. Regular maternity leave amounts to one year. After the first three months it can be used up either by the mother or the father of the child. Nevertheless, the father is entitled to take 15 days of nursery leave.

Contributions for pensions are paid to the pension fund, for health insurance to the health fund, and for unemployment and maternity leave directly to the central government. Contribution rates to the social security that apply to employers are 16.1% and employees have to pay 22.1%. The taxable base both for employers and employees is the amount of the gross wage, which includes gross leave pay, fringe benefits, and remuneration of expenses related to work above a certain threshold.

The minimum yearly paid holiday amounts up to 20 days, but can be prolonged on the basis of working years, education level and working conditions. Holiday allowance is paid by an employer to an employee who is entitled to annual leave.

In 2008 average monthly gross earnings increased by 8.8% over 2007. A person in paid employment earned on average EUR 1.368,76 per month.

Tax obligations are determined by income brackets. In 2008 the prepayment of income tax amounted to:

- > 16% for the monthly tax base up to EUR 598,96
- > 27% for the tax base from EUR 598,96 to 1.197,93
- > 41% for the tax base above EUR 1.197,93

# HILL in Slovenia: Competent On-site Personnel Consulting

HILL International Slovenia was founded in 1993 as the first international recruitment company in the market. Ever since the company has been consolidating strong market position. Our partners in business are renowned international companies. We are striving to intensify our cooperation also with local companies and institutions.



Mojca Kriznar  
Managing Director

Throughout the last couple of years our team has been active also in introducing and developing additional core services in management consulting. HILL

Slovenia is assisted in this process by the experience and expertise of the HILL Group.

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