



Labour market change

**Gorenje Group: Relocation from
Sweden to Slovenia (and Slovenia
to Serbia) - case study**

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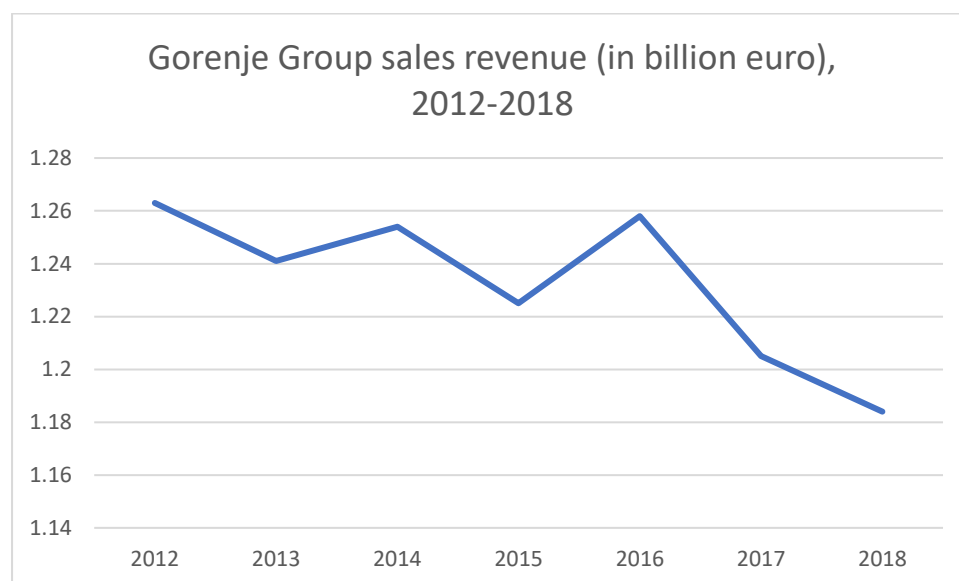
This case study was carried out for a European Restructuring Monitor project on transnational restructuring (2019-20).

Report: [ERM report 2020: Restructuring across borders](#)

Introduction

Gorenje Group is one of Europe's largest manufacturers of household appliances, with a history dating back almost 70 years. Gorenje has two global brands (Gorenje and the premium brand Asko¹), as well as six local brands². In 2018, the Gorenje group was acquired by the Chinese household and electrical goods manufacturer Hisense. The Hisense corporation employs around 75,000 workers worldwide and has revenues close to €13 billion. As the relocation which is the subject matter of this case study took place prior to the acquisition of Gorenje by Hisense, subsequent financial and employment data only refers to the Gorenje group.

The group has production facilities in Slovenia, Serbia and the Czech Republic, as well as development in competence centres in Czechia, the Netherlands, Slovenia and Sweden (2019 status). In the aftermath of the economic crisis, which led to a significant contraction in sales, the company's revenues continued to see an overall decline from €1.263 billion in 2012 to €1.184 billion in 2018 (see figure below).



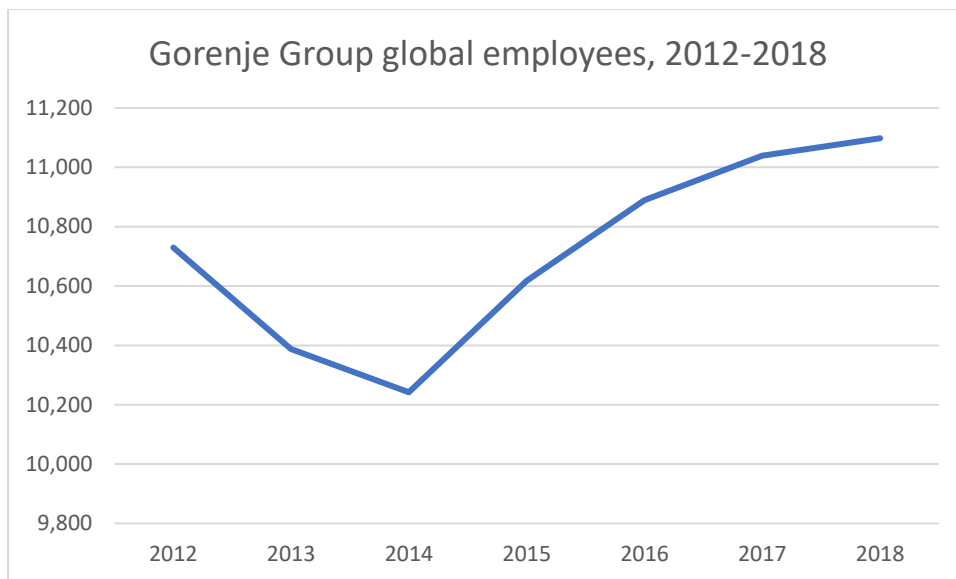
Source: Gorenje Group Annual Reports 2012-2018

Employment trends at Gorenje

Employment numbers at Gorenje, on the other hand, have seen a small overall upward trajectory between 2012-2018, with a minor contraction between the years 2012 and 2014 (reflecting job losses in the region of 180). In 2018, the company employed around 11,100 workers at its various sites in Europe.

¹ The Swedish company Asko became part of the Gorenje group following its acquisition in 2010.

² Atag, Pelgrim, and Etna appliances mainly with a market presence in the Benelux countries; Mora in Czechia and Slovakia; Upo in Finland; and Körting in Slovenia, Austria, Greece, Russia, Georgia, and Croatia.



Source: Interview with HR representative

The growth figures disguise a process of 'internal' restructuring largely leading to the offshoring of activities from higher wage to lower wage countries. [In 2009, the company had announced up to 500 redundancies at its site in Velenje](#). In addition to the restructuring subsequently addressed in the case study, in 2010, the company offshored some the company's boiler manufacturing to Serbia, leading to around [270 job losses in Slovenia](#). In 2019, a further relocation of production from Slovenia to Serbia was announced, [affecting up to 325 jobs](#).

Offshoring from Sweden to Slovenia

In 2010, Gorenje acquired the Swedish household appliance manufacturer Asko, largely with the goal of using the company's access to markets beyond Europe, including the United States. Gorenje was also keen to expand its operation in the premium market segment. According to Swedish worker representatives, at the time of the restructuring, Asko's site in Jung (Sweden) employed 535 workers (380 full-time staff, 125 workers from the temporary work agency Manpower and 30 fixed-term contract workers). The employer side in Slovenia puts this figure at 435 (not including the sales department, which is included in Asko's annual report). They therefore consider that 373 workers lost their jobs, with Gorenje maintaining the employment of 63 workers in the development department.

The rationale provided for the relocations revolved around the optimisation of production locations and production costs within the group. A Swedish employee representative also points to reasons linked to the strong impact of the US market (and the dollar exchange rate) for Asko. At the time, the dollar was at a historical low. As a result of this, Asko was losing money every month, which would have been reversed, had the value of the dollar risen, as it subsequently did. Swedish trade unionists also perceived the move of production from Sweden to Slovenia to be a 'quid pro quo' to compensate for the removal of jobs in refrigerator production from Slovenia to Serbia. There was a view that for each job Gorenje created in Serbia a subsidy was being received from the Serbian government (a figure of €1000 per job was quoted). The management of Gorenje disputes having been in receipt of subsidies from the Serbian government.

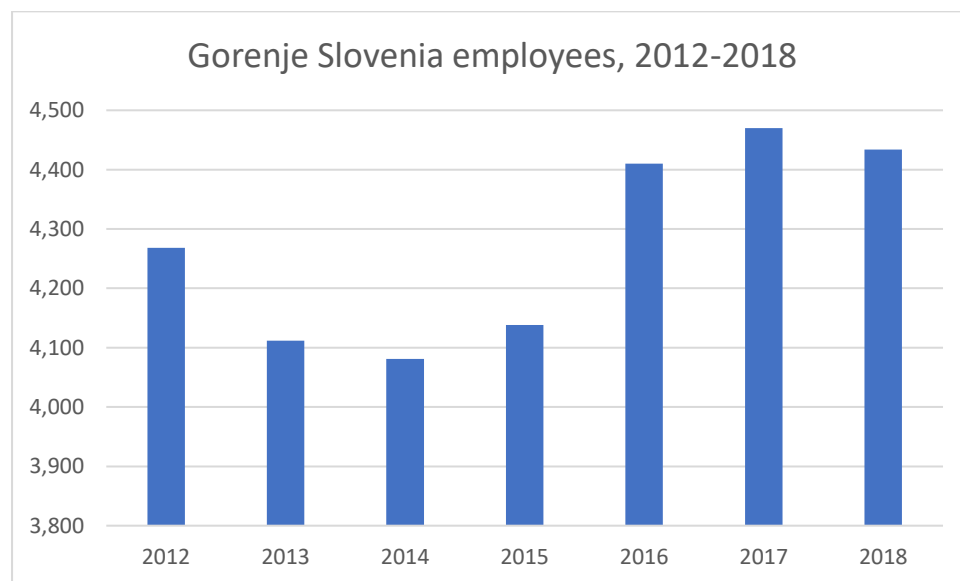
In an interview for the newspaper *Delo*, Gorenje's CEO Franjo Bobinac spoke about relocations of productions between Sweden, Slovenia and Serbia: 'In the Scandinavia-Slovenia-Serbia triangle, Scandinavian labour costs are almost three times higher than in Slovenia, in Slovenia almost three

times higher than in Serbia. Within this triangle, we optimize production locations: from the perspective of employment outcome, it is clear that it will be positive for Serbia, negative for Scandinavia and neutral for Slovenia³.

The annual business report for the year 2012 announced that relocation 'will lower costs in the amount of €15 million, improve its profitability and the long-term competitiveness of the company'.

Offshoring from Slovenia to Serbia

Home appliances have been manufactured at the affected site in Velenje since 1958. At the time of the relocation, there were 4,268 workers employed at the plant. After a period of decline in employment numbers between 2012 and 2014, the period between 2016 and 2018 saw an increase (to 4,470). The reduction in employment following the relocation was achieved through natural attrition and no redundancies were carried out.



Source: Annual business reports, Gorenje

In Slovenia, the production of fridge-freezers closed in February 2013, while the production of washing machines and dryers, which was relocated from Sweden, started in April 2013 and the production of dishwashers began in September 2013. According to management data, the relocation of Swedish production created 310 jobs in Velenje. There were no redundancies in Slovenia and Slovene employee representatives remarked that while in Sweden there had been a high number of temporary staff, this was not the case in Slovenia.

Terms and conditions in Slovenia are determined by the branch collective agreement (Collective Agreement for Slovenia's Electrical Industry, signed in 2005) and the company level agreement (dating back to 1991; a new one was signed in 2018, when the main dispute was the number of leave days)⁴.

Swedish workers came to teach Slovene workers in Velenje, and Slovene workers went to Sweden for training. Those trained in Sweden passed their knowledge to Slovene co-workers. The same

³ Vanja Tekavec, »V trikotniku bo pridobila Srbija [Serbia will gain in the triangle]«, Delo, 3 July 2012, dostopno na <https://www.delo.si/gospodarstvo/podjetja/franjo-bobinac-v-trikotniku-bo-pridobila-srbija.html>.

⁴ STA, »V Gorenju podpisali novo kolektivno pogodbo« [A new collective company agreement signed in Gorenje], 1 June 2018, retrieved from <https://www.dnevnik.si/1042824188>.

happened with Serbian workers: they received training in Velenje, and Slovene workers went to Valjevo to train workers there.

The news obtained from Serbian media about the relocation of production to Serbia provoked a reaction from the Municipality of Velenje. The city council organised a discussion of the restructuring of the company and invited the president of the Management Board of Gorenje. City councillors decided to support restructuring under the following conditions: the company must preserve existing jobs, it must seek the agreement of works council and trade union, and the restructuring must not threaten the financial position of the company.

Employee representation at Gorenje

Transnational interest representation

At the time of the relocation of production from Sweden to Slovenia, the EWC did not yet exist. Requests to establish such a body date back to 2010, when Gorenje acquired Asko. At the time, a Swedish delegation travelled to Slovenia and requested the establishment of an EWC. According to worker representatives from Sweden, there was then no appetite among the new owners of Asko for the establishment of such a body. However, negotiations to establish an EWC were eventually initiated and were completed in December 2013. According to employee representatives in Slovenia, the EWC was eventually set up following pressure from Czech workers keen for an opportunity to discuss a number of common issues. A constituent meeting was held on 25 September in Velenje. The president of the works council at Gorenje was elected president of the EWC which was made up of 17 employee representatives from Slovenia (10), as well as representatives from Germany, Austria, Czechia, the Netherlands, Denmark, Sweden and Croatia (1 each). A representative from Slovenia participated as an observer. Meetings were to take place twice a year. However, employee representatives in Slovenia argue that with the take-over of the company by Hisense, the EWC 'ceased to exist'. In principle, according to provisions of the Recast Directive on 'adaptation' of corporate status, EWCs should not cease to exist in cases of change of corporate status, e.g. acquisition. They should be adapted to reflect the new corporate status but the default according to the Recast directive is that the existing EWC remains in place until a new EWC is negotiated. In this case, the take-over by Hisense coincided with the expiration of the mandate of the original members of the Gorenje EWC. According to information provided by EWC members, as a result, the conditions that were the level basis on which the original agreement concluded ceased to exist (since Gorenje was no longer the controlling company and its management no longer the central management). It was therefore perceived to be no basis on which EWC members should be invited to elect new representatives in accordance with Gorenje Group's EWC agreement. Requests were submitted in 2019 to the Hisense management by the representative trade union in Slovenia and the Czech Republic to establish a new EWC to which a response was awaited at the time of writing. According to the Recast EWC Directive (Article 13), 'where the structure of the Community-scale undertaking or Community-scale group of undertakings changes significantly, and either in the absence of provisions established by the agreements in force or in the event of conflicts between the relevant provision of two or more applicable agreements, the central management shall initiate the negotiations referred to in Article 5 on its own initiative or at the written request of at least 100 employees or their representatives in at least two undertakings or establishments in at least two different Member States'. Worker representatives from Slovenia emphasised that although the EWC provided an opportunity to exchange information with representatives from other countries, the 'Enlarged Works Council' of Gorenje, which brings together representatives of different sites in Slovenia, is more important, as it has some co-management functions, whereas the EWC was considered to be 'only a consultative body'.

Swedish worker representatives on the other hand argue that had an EWC been in place, it would have been possible to handle this 'in a trade union way', generating solidarity between workers. Instead, fear was considered to have created a situation where each side only looked out for their own interests. According to a Swedish trade union representative *'We really tried to push for the establishment of an EWC. But Gorenje did not care. I think the whole situation with someone asking for an EWC was something completely new for Gorenje. So, when that did not happen, we started to investigate things ourselves and read a little bit about the factory in Slovenia and their trade union on the internet ... In the end we met up with two guys from their trade union, but nothing happened there as well. They are not as protected as we are here in Sweden'*.

Employee representation at Asko in Sweden

Two trade unions represented workers at the Asko site in Jung: IF Metall and Unionen. IF Metall is the trade union for blue collar workers in Swedish industry. It has a total of 311,000 members and is considered to be one of the most influential unions in Sweden. Of the 500 employees at Asko, 350 were members of IF Metall.

Unionen organises white collar workers in a variety of sectors. Today, it is the largest union in Sweden with 650,000 members. At Asko, around 50 workers were members of Unionen.

Both unions held separate negotiations with management once the closure of the site had been announced. There were some efforts to coordinate these negotiations, but this did ultimately not bear fruit.

Employee representation at Gorenje in Velenje

Workers are represented by the SKEI Trade Union Conference of Branches of Gorenje. Beside the trade union, employees are also represented on the works council and with a workers' director. Prior to the acquisition by Hisense, three worker representatives were also nominated to the Supervisory Board of the company. However, this was cancelled in 2019 when Hisense changed the statute of incorporation from a shareholding to a limited liability company.

Consultation process linked to the offshoring of jobs

Relocation from Sweden to Slovenia

An employee representative of the Asko plant in Jung received the information regarding the relocation of parts of production from Sweden to Slovenia whilst in a meeting in Slovenia. IF Metall then engaged a business consultant to visit Slovenia with the goal of assessing which part of production should be moved and which should be retained in Sweden. The union was keen to keep at least the production of dishwashers at Jung. However, the decision was announced on 28 June 2012 that the whole of the production was to be moved from Asko to Velenje. On the same day, the CEO at the site in Jung was asked to leave together with the production manager, which left the trade union no counterpart to negotiate with in Sweden, as the employer was now located in Slovenia.

According to an employer representative at Gorenje in Slovenia, the relocation started with a study about long-term competitive capabilities of the production site in Sweden. It is argued that the Swedish trade union was informed about the content of the first draft. The study presented three options to trade unions. The first option was that we keep but radically optimise the production process in Sweden; the second that we relocate some parts of it; and the third that we relocate all of it.

In line with Swedish regulations, the trade unions exercised their right to engage the support of an expert to evaluate the robustness of calculations in the employer study. According to management

representatives in Slovenia, the unions engaged a highly experienced consultant with 30 years of experience working on many similar cases where other Swedish companies, such as Saab and Electrolux, relocated their production. The consultant's report was presented to a joint meeting which included an economic part, technical aspects (investment, deadlines, and assets), social aspects and the strategic commercial aspect: what would be the impact of relocation on the market, what would be the impact on prices, and what would be the possibility of losing customers due to relocation. According to management, the report confirmed that the best option was to relocate all production. They argue that when the Swedish trade unions heard the results of this report, they decided that there was no option but to agree to the relocation.

According to the general procedure, Swedish trade unions may accept the expert's opinion or not. If not, negotiations with trade unions move from local to national level, involving trade unions on the national level. In this particular case, the trade unions accepted the expert's opinion and the first phase of negotiations was thus concluded on 28 June 2012⁵. On 6 July 2012, the Asko Board confirmed the decision and the same day Gorenje issued a press release announcing the relocation of production from Sweden to Slovenia.⁶

Relocated activities were direct and indirect production, technology, warehouse, internal and outbound logistics, purchase of raw materials, etc. For all these tasks, the company retrained employees who carried out similar jobs in the production of refrigerators. Swedish employees trained Slovenian workers in Velenje as well as in Sweden. Altogether, Swedish employees carried out the training equivalent to 53 person-months in Velenje and Slovenian workers 75 person-months in Sweden.

Employee representatives from Sweden argue that negotiations on the closure lasted from June to September 2012. The trade union requested a higher redundancy payment if the workforce was able to maintain high production levels until the day of the closure. Representatives argue that this was achieved despite management making this difficult through supply problems and removing the experienced management, among other things.

Eventually, a package offering different types of support was negotiated for affected workers. Those who had 30 months left to retirement received 75 percent of their monthly salary from the day the factory closed (30 June 2013) to the date of statutory retirement. Secondly, an education fund was set up. Resources amounted to around €800,000, funded by the employer. The fund was administrated by a representative from the employer side, one representative from IF Metall and one representative from the education company Lernia. Thanks to the fund, workers could apply for resources to retrain or to obtain a truck driving licence. At first, the intention was that workers could only make use of resources from the training fund once. However, as time went by and resources remained available in the fund, this was opened to affected workers who wanted to make use of this again. The fund was open until the end of December 2017. Remaining resources by this date were split between the workers affected by the closure and each received around €1,000.

The education company Lernia was also asked to provide advice to the employers and the trade unions. They also provided transition services and guidance to the workers, including labour market

⁵ On June 2012, Gorenje relocated the Asko's production of cookers and irons in Finland to its Czech production site in Mora Moravia. All 106 workers lost their jobs, and Czech company gained 60 new employments (source: Annual business report for the year 2012).

⁶ Press release, "Naslednje leto selitev Askove proizvodnje iz Švedske v Velenje [Relocation of production from Sweden to Velenje next year]", 6 July 2012, <https://www.gorenjegroup.com/si/za-medije/novice/2012/07/936-Naslednje-leto-selitev-Askove-proizvodnje-iz-Svedske-v-Velenje>.

and education provider information, training and business start-up support. Lernia also approached other employers in the area to try and source employment for affected workers.

The white-collar side had similar services provided via their job security council.

Relocation from Slovenia to Serbia

Employees at Gorenje in Slovenia became aware of the relocation of the production of fridge-freezers from Serbian media. In March 2012, Serbian media reported about the relocation of production from Velenje (Slovenia) to Valjevo (Serbia) as a 'fait accompli'. At the time, the Management Board had already assured that the relocation would happen and that the Serbian government approved the investment subsidy for relocation. The news provoked immense turmoil among workers.

The Enlarged Works Council was convened on 29 March 2012 and the meeting of SKEI Trade Union Conference of Branches of Gorenje with management was held on 4 April. According to the minutes of the meeting,⁷ the management informed trade unions of the planned relocation at this meeting for the first time. The management explained that, at that time, decisions on relocations were not yet final, except for that of a Finnish factory which was to be relocated to Czechia. It is stated that the company had already concluded the agreement with Finnish trade unions on 27 February 2012. The union expressed its deep concern because Gorenje's companies in Slovenia had lost 2,000 jobs in the previous five years.

The SKEI, as reported in its newsletter Info SKEI Gorenje,⁸ convened a press conference in April to inform the public and the government of its request to retain jobs. The interviewee said that a strike was one of the options the trade union planned.

In discussions with workers' representatives, the management offered to replace the lost production with the relocation of jobs from Sweden. This meant that workers who had previously worked on the production of refrigerators would obtain employment in the production of dishwashers and washer-dryers, relocated from Sweden. At the time, there were doubts about the seriousness of this offer and whether equipment being transferred from Sweden would be outdated. A trade union representative subsequently visited the Swedish factory and was assured of the standard of production machinery at the plant.

The Management Board and the trade unions then signed the 'Agreement on the protection of jobs in the optimisation of production locations in Gorenje for the period 2012-2015'. The preamble says that the management informed workers about plans for optimisation on 29 March (Enlarged Works Council), on 4 April (the Trade Union Conference), and on 5 and 6 April (general assemblies of workers). In the agreement, management promised to replace the production, relocated to Serbia, with a new production processes (relocated from Sweden) so that all employees would keep their jobs. In exchange, the unions renounced any 'unilateral actions' (such as strikes, etc.). Parties could depart from the agreement only in the event that 'objective circumstances' changed.

On the occasion of a visit of Slovenian worker representatives to Sweden (and a reciprocal visit to Slovenia), there was therefore an exchange of information between the two sides, but limited cooperated as each were struggling with their situation independently.

⁷ Minutes from the meeting (13 April 2012, Velenje), retrieved from https://skei.si/uploads/skei2/public/_custom/SKMBT_C28012041707010.pdf.

⁸ 'Podpisan sporazum o ohranitvi delovnih mest [Signed an agreement on job retention]', *Info SKEI Gorenje*, June 2012, Vol. II, retrieved from https://skei.si/uploads/skei2/public/_custom/3._info_skei_gorenje_julij_2012.pdf.

There was, however, more collaboration with the Serbian trade union. According to Slovenian worker representatives, the Serbian confederation of trade unions from Belgrade had approached the Slovenian confederation for help. Employees in Valjevo met employer resistance when trying to establish a trade union. The union representative said that the Slovene trade union pressured the management to recognise the Serbian trade union and provided assistance ever since it was set up in 2011. However, there is still no trade union at the other two Serbian production sites, in Zaječar and Stara Pazova.⁹ According to Slovenian worker representatives, Gorenje in Serbia has a reputation for paying relatively low wages, below the earnings in comparable companies. Strengthening the bargaining power of worker representatives in Serbia could therefore be considered to be in the interests of the Slovenian workforce, as this is where the competitive pressure is the greatest.

The reasons for the relocation were not queried by Slovenian trade unions. Ultimately, there was relief that relocation from Sweden was to Slovenia and not directly to the lower wage country of Serbia and that the relocation of fridge-freezer production to Serbia was implemented in a phased way, with only 30% of this production relocating in 2013.

The annual business report for the year 2012 says that production units in Sweden, Czech Republic and Slovenia had mostly older workers under permanent employment contracts. In Serbia, on the other hand, the company could employ younger workers under fixed-term employment contracts. Therefore, according to the report, 'the company has a greater possibility of adjusting the number of employees, while Slovene employees have mostly permanent contracts and it is practically impossible to have the flexibility for adjusting to fluctuations in production'.

⁹ Web journal *Mašina* ('Štrajk v Gorenju' [Strike in Gorenje], 17 July 2017, retrieved from <https://www.masina.rs/?p=5074>) reported that Gorenje dismissed all seven workers who participated in trade union committee and so prevent the setting up of trade union in Stara Pazova.