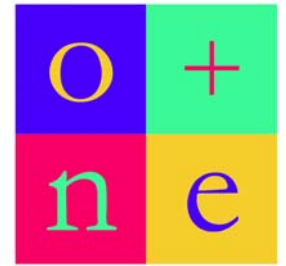


old and new europe

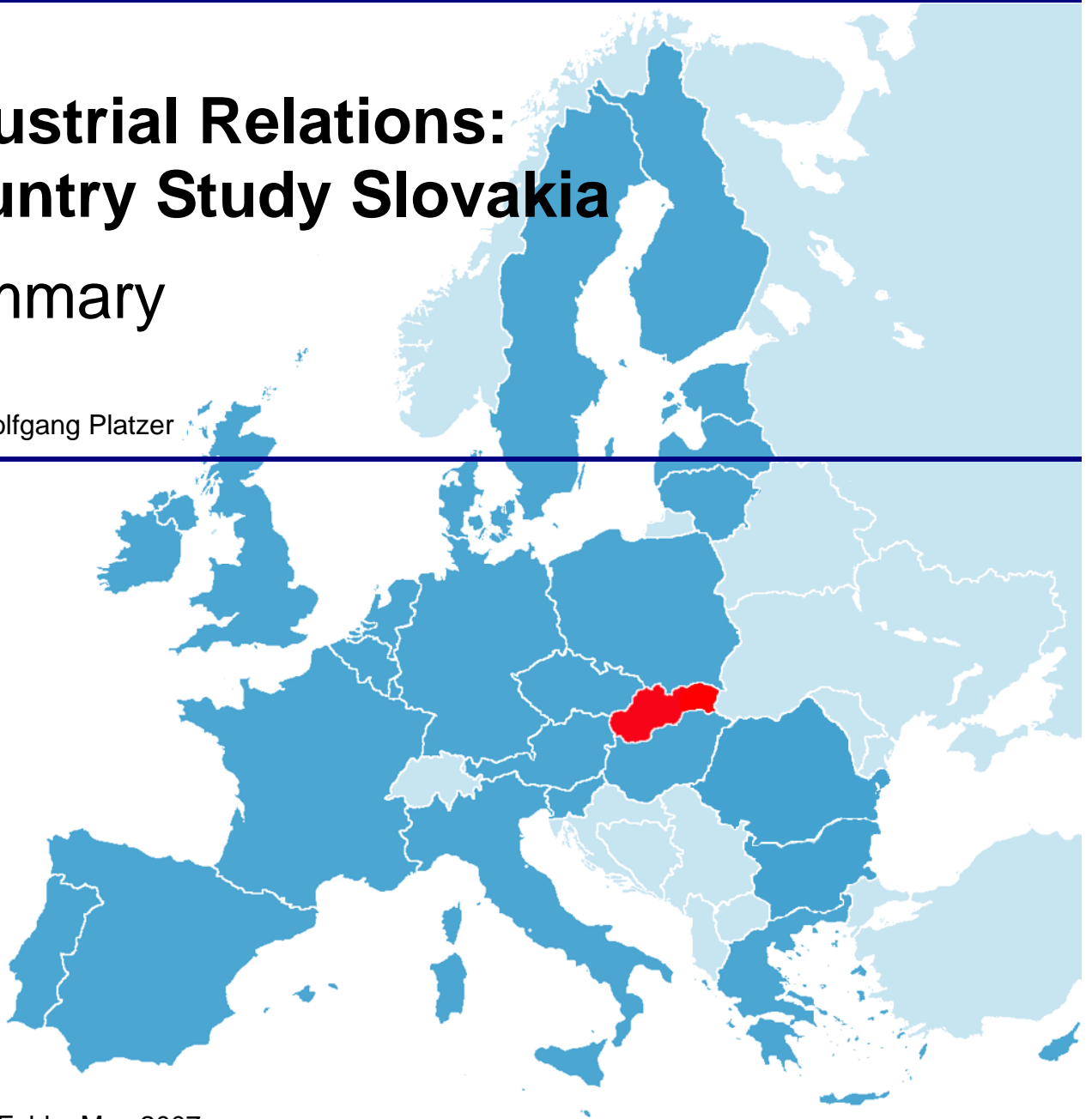
new forms of industrial relations
and industrial standards as social
challenge in extended europe



Industrial Relations: Country Study Slovakia

Summary

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In the course of its transformation and entry into the European Union, the industrial relations in Slovakia were adjusted in several phases on the basis of the new labour law and the law concerning collective bargaining. In spite of the transformation being fundamentally oriented towards Western European models of democracy and (social) market economy and despite various Western European consulting activities during the transformation, there was no “import” of a complete system of western institutional and regulational models with respect to industrial relations in Slovakia, as we can observe in other CEE countries.

The independence from the Czech Republic, which took place on January 1st, 1993, brought serious economic and political problems for the political system, which also affected the development of industrial relations. We can observe the following stages in the development of the Slovak industrial relations:

- A "common starting phase" in Czechoslovakia that included decisions regarding structure, which still had an impact after the national independence of Slovakia.
- A phase of stagnation and blocking of Europeanisation under the autocratic regime of Meciar.
- A phase of labour law reforms, the adjustment to the European Union and preliminary proceeding for the EU entry since the beginning of 2000.
- At present (since 2006), new strategic decisions, particularly in the context of the strengthening of collective labour rights and tripartism, can be observed due to reform projects and the social democratic government of Fico.

The Slovak economy that has been to a large extent denationalised is, on the one hand characterised by an increasing number of small and micro enterprises and on the other hand, by a few large enterprises (with over 1.000 employees); among these, there are important manufacturing plants of foreign companies (Volkswagen and Peugeot/Citroën among others). With a continuous growth rate of the GDP in the past years (4.6% in 2002, 6.1% in 2006), Slovakia made it to the top group of the CEE countries. At the same time, however, Slovakia (along with Poland) is ranked high when it comes to unemployment; although we can observe a decrease: in 2002, the unemployment rate was at 18.7%; in 2006, it was still at 15.5%. One of the continuous structural problems of the employment system is the high unemployment rate of young people, older workers and the long-term unemployed.

Two different developments are characteristic for the wage development and the performance record of production in Slovakia: By increasing the real wages in the past years (2002: 6.6%; 2006: 3.4%), Slovakia is placed in the upper third of the CEE countries. However, where the full exploitation of distribution efficiency is concerned, Slovakia holds the second last place in the entire EU 25 (Latvia being the very last). From 1995 to 2005, the balance of the national nominal wage development and the development of the "neutral" national price and productivity development amounted to -21.2%. Despite a more favorable wage development in the past years, the development of price and productivity in the years 2000-2005 still remains at -11.4%.

The fact that it was possible to keep "social" peace and avoid unstable political relations in spite of major social changes and political turmoils in the course of the transformation process in Slovakia, is mainly due to the organisational structures and the policy of the social partners (in particular the "moderate" and pragmatic role of the trade unions).

Both on the side of the employers as well as the trade unions in the Slovak Republic, there exists a high degree of concentration and centralisation of interest groups. Representing 37 branch associations and having 590.000 members, the Slovak Confederation of trade unions (KOZ SR) represents approximately 90% of all union members. Next to this standard trade union umbrella organisation, there is also a Christian trade union association with about 10.000 members as well as a smaller association of 2.000 members in the Czech Republic which is called Art and Culture. The pan-European trend of trade unions' member loss was and is particularly pronounced in the CEE states; Slovakia being no exception. The rate of trade union organisation was still at 57% in 1995, but it dropped to 31% in the year 2004. Nevertheless, the Slovak rate of trade union organisation is still the second highest of all CEE-countries after Slovenia (2004: 44%) and is also above the EU 25 average (2004: 25%).

Until 2004, employers were organised just as broad and comparatively uniform in the Federation of the Employers' Associations of the Slovak Republic (AZZZ SR). At present (2007), 13 branch associations are grouped under the umbrella of the AZZZ. The RUZ, founded only in 2004, has come to be the largest industry and employer umbrella organisation. It represents 2/3 of employers and enterprises that produce 70% of the GDP. Membership can be individual or collective. Today, the RUZ repre-

sents 21 associations and 8 individual members (large-scale enterprises). Through the affiliated associations, it represents 1.300 enterprises with more than 300.000 employees. Furthermore, a smaller association of Small and Medium Enterprises (SMEs) exists which represents the interests of small and micro enterprises. The latter ones are economically relevant insofar as the structure of the enterprises has radically changed with regard to the formerly dominating concentrated industrial culture and the fact that 77% of all private enterprises have less than 10 employees.

What we can say about the labour law-related groundwork of the Slovak industrial relations system is that the labour code of April 2002 brought substantial changes and improvements to the field of individual and collective labour law; most of them still being valid today.

In the field of individual industrial law or labour law, the protective rights concerning working time, rest periods and work breaks, overtime, shift and weekend work, part-time employment, job-sharing, readiness to work as well as vacation times were newly defined.

In the field of collective industrial law, the labour code grants the bargaining parties stronger rights for an autonomous contractual organisation of the work relations than before. The contract principle and procedural regulations were strengthened whereupon an arbitration as well as a mediation must precede each escalation going on. The labour law-related structuring of the operational representation of interests was modified in 2002/3 insofar as the original monistic principle of a purely unionised representation of interests was amended by the option of a work council. As a result, a work council (or in smaller enterprises a representative) can be selected by all employees at any time in all enterprises with more than 50 employees, in the same way that an operational trade union organisation can be chosen. There is a distinct division of roles, however: there is the trade union's tariff authority and the tariff priority of existing (e.g. sectoral) collective regulations. Both representation bodies have explicit rights of information, negotiation, conclusion of employment agreements regarding conditions of work and their supervision.

In general we can say that in Slovakia and in the rest of Central Eastern Europe, no stable consensus between the political participants concerning the gain of operational

institutions of codetermination has been found yet. It is still a balancing act between concepts of deregulation on the one hand and the development of social rights and participative mechanisms on the other: deregulated, individualised conceptions are believed to be incentives for foreign investments. They can also be understood as a reaction to the formerly forced priority or precedence of collective behaviour patterns, which both individual employers as well as self-responsible employees are trying to get away from. The situation in a large number of small and medium-sized enterprises is characterised by this deregulated, individualised conception. In comparison with the majority of the CEE-countries, there may be a relatively high density of unionised representation in enterprises in Slovakia, particularly in formerly state-run as well as in the large foreign enterprises; but nevertheless, there increasingly are trade union-free zones due to entrepreneurial start-ups and spin-offs, particularly with small and medium-sized enterprises (SME) as well as in the service sector.

From today's point of view, we cannot judge conclusively how the hybrid operational structures of representation and the “coexistence” between unionised structure of representation and work council will develop in the future. The same applies to the right of one-third participation of employee delegates in supervisory boards, which is made possible through the Slovak commercial code, and the question how the inclusion of Slovak employee delegates in European work councils will affect national structures of representation medium term.

The Slovak collective agreement system is multi-staged and includes the following:

- general agreements on tripartistic national level that encompasses numerous industries
- sectoral collective agreements, which are relatively widespread and include approximately half of the total number of employees, but usually only specify minimum conditions
- enterprise collective agreements, which form another important level and which (can) specifically define the wage level and further work conditions, but necessarily turn out to be very different according to the condition and the balances of power in the enterprises

Furthermore, the state determines the minimum wage and adjusts it annually after consulting the social partners in the context of tripartism. For Slovakia as well as for

the remaining CEE-states, the material arrangement of minimum wages and the procedures for its definition and implementation are a dependent and/or integral part of the national industrial relations system. The minimum wage politics are finally a manifestation of specific function deficits of autonomous collective agreements and/or the attempt to deal with social, income and socio-political problems. What the present government aims at is to raise the minimum wage in 5 years to the level of 60% of average wages.

The general wage and tariff-political development of the years 2006/7 continues the trend of real wage increases, recognisable since the beginning of 2000.

In some important sectors such as the metal sector or the public domain, sectoral agreements are possible; these are sectors in which unionised activity is a given due to a relatively high degree of organisation. Because of this, the principle of “industry collective agreement” (contrary to the majority of CEE countries) is strengthened in Slovakia or at least further weakening is prevented.

Due to its relatively high degree of organisation, trade unions succeed in some large foreign enterprises such as VW and Peugeot/Citroen to conclude differentiated enterprise collective agreements, which cover issues of wages and agreements regarding politics of work and worker’s participation.

Just like the other countries partaking in the transformation, Slovak tripartistic round of talks and Slovak institutions play a central role: first and foremost, the Council for economic and social partnership of the Slovak Republic needs to be mentioned. It consists of seven governmental representatives, seven representatives of the trade unions as well as seven representatives of the employers' associations. In the early transformation phase, its main function was the annual conclusion of so-called blanket agreements, where high-level contracts were regulated under an umbrella of general agreements. These agreements defined the fundamental economic and sociopolitical aims which included, among other things, wage ranges for the public sector (and indirectly, for the overall economy) for the following year. Today, the tripartite consulting and negotiating mainly concentrates on minimum wages. The state, however, has the power to veto. Part of the work-political reform agenda of the present Fico government is the strengthening and stabilisation of work efficiency through improved resources

and inner structures and through the extension and specification of matters which are integral and mandatory for consultations.

The sectoral tripartite dialogue in the context of various industry committees, which are connected to the Department of Economy and Labour, is a further level of social dialogue in Slovakia. As a result of government decentralisation through the constitution of eight regions as intermediate administration units, there also exist regional tripartite committees. They provide the exchange of information and prepare decisions in the field of employment, general and vocational education, transportation infrastructure and energy industry.

In general we can state that the Slovak work relation system shares certain structural characteristics with the other CEE-countries, for instance the primacy of the state which outlasted the former transitory phase. The etatistic main feature of industrial relations is not a result of insufficient implementation of norms and standards concerning labour law or the constitution. These are predominantly existent, but their actual effectiveness is often limited. That is, there is a discrepancy between standardisation and practice or a „laissez-faire“ of the regulating system.

At the same time, there are certain structural characteristics which distinguish the Slovak work relations system (along with Slovenia and parts of Hungary) from other CEE-countries. The Slovak work relations system exhibits certain structural characteristics which it shares with European structures and practices.

The attitude towards the works council shows that it is perceived as a second instance of general employee representation with guaranteed rights of participation next to trade union representation of interests, that is primarily concerned with the formation of collective agreements and also next to the stage of development of the general collective agreement and the collective agreement coverage which is clearly above average (compared with the CEE-countries).

Considering the two-sided Slovak work relations system, the reform agenda of the Fico government which is planned for the fall of 2007 and which includes the strengthening of employee and trade union rights as well as tripartism, promises to be majorly influential in the future development of work relations.