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Collective bargaining and balanced recovery

The case of the Slovak Republic
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1. Introduction: Industrial relations in the Slovak Republic

The Slovak Republic became an independent country on 1 January 1993 after the breaking up of Czechoslovakia. Most of its about 5.5 million inhabitants are Slovaks (85%) with the Hungarians, as the main ethnic minority populations (10% share), followed by the Roma, Czech and other minorities, e.g. Ukrainians or Ruthenians. Since 1 May 2004, the Slovak Republic became an EU Member State and from 20 December 2007, the country was involved into free cross-boarder movement Schengen zone. Since 1 January 2009, the Slovak Republic entered the Euro zone at exchange rate SKK 30.1260/1 €. The economy is relatively well developed and private sector dominates there. Country’s GDP per capita in PPS reached 73% of EU 27 average in 2009. The average nominal wage reached € 769 in 2010. The minimum monthly wage increased to € 317 in 2011. Country’s economy is export oriented and the manufacturing industry plays very important role in it. Mechanical engineering, automotive and electric industries dominate there. Industrial relations are characterised by well functioning tripartite and bipartite social dialogue. Employees are usually represented by trade unions, which are organised in companies by sectors. Collective bargaining takes place at sectoral as well as company levels and covers about 35% of employees. Collective bargaining contributes to increase of nominal wages and real wages1.

1.1 The actors and legal framework

Since 1990, during the transition from planned socialist economic system to the market economy, new industrial relations structure and mechanisms were formed in Slovakia2. Trade union organisations were transformed from previous trade unions. The Confederation of Trade Unions (Konfederácia odborových združení Slovenskej republiky, KOZ SR) was established during the existence of common Czechoslovak state in April 1990. Because of adoption of confederation principle in organisation of Czechoslovak (federal) trade unions, the KOZ SR was relatively an independent unit there and continued its operation without significant changes after the separation of the common state on 1 January 1993. According to its Statute, the KOZ SR represents a voluntary association of independent trade union associations, which have been grouped with the purpose of defending the rights and justified interests of their members. The KOZ SR associates sectoral or branch trade union associations of which members are white as well as blue collar workers from public and private sectors. Organisation of the KOZ SR is based on principle of freedom of association, which ensures individual members to form own union policy, programme and to act

1 More comprehensive information about industrial relations in Slovakia is available in Cziria, L. (2009).
independently of KOZ SR. Since its establishment, KOZ SR associates around 96% of trade unionists in the country. It associated 28 sectoral trade union associations in 2010. The Independent Christian Unions of Slovakia (Nezávislé kresťanské odbory Slovenska, NKOS) is the second trade union centre, which associates unionists from education, railways and metal sectors. Since 1993, the trade union density in Slovakia has been decreasing. While in 2003 it was about 30%, it decreased to about 18% in 2008 and to about 16% in 2010. Social dialogue in companies and the position of trade unions in them was impacted by privatisation of state owned companies. Several significant Slovak companies, e.g. in the steel and chemical industries, mechanical engineering, energy and telecommunications sectors were taken over by foreign multinational companies. Some of these multinationals, e.g. Austrian and German, played important role in implementation of employee participation and social dialogue with trade unions at their subsidiaries in Slovakia. Being a part of a multinational company allowed employees working in their subsidiary in Slovakia to participate at meetings of European Works Councils (EWC). Employees in EWC are usually represented by respective local trade union organisation.

In 1990, really independent organisations of employers did not exist. All companies were state owned and the state was the only employer in the country. Formation of organisations of employers was linked to privatisation of state owned companies and these organisations were established from scratch. Also employers are usually associated according to the sectors, e.g. employer association of mechanical engineering, electric and chemical industries, energy, construction, commerce and transport sectors. Most of employer associations are affiliated to two peak employer organisations - Federation of Employer Associations (Asociácia zamestnávateľských zväzov a združení Slovenskej republiky, AZZZ SR) and the National Union of Employers (Republiková únia zamestnávateľov Slovenskej republiky, RÚZ SR). Those two employer organisations represent employers in terms of number of employees, more or less equally. Member companies in AZZZ SR and RÚZ SR together employ about 30-35% employees in the economy.

The government regulates industrial relations mainly through labour legislation, which is the domain of the Ministry of Labour social Affairs and Family (Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky, MPSVR SR). Employment and labour relations are regulated mainly by the Labour Code (Act No. 311/2001, as amended). Since 2002, employment and labour relations in the civil service and the public service are regulated by specific legislation. Collective bargaining and labour disputes are regulated by Act No. 2/1991, as amended. MPSVR SR deposits sectoral multi-employer collective agreements and registers cases of collective labour disputes.

### 1.2 Tripartite social dialogue

Tripartite social dialogue at the national-level between representatives of social partners and the government took place at the Economic and Social Concertation Council (Rada hospodárskej a sociálnej dohody, RHSD) from 1991. RHSD operated at Czechoslovak federal government as well as national Czech and Slovak governments. After the split of Czechoslovakia on 1 January 1993, the government of independent Slovak Republic adopted the idea of tripartism and the tripartite RHSD continued its operation practically in unchanged form. Representatives of employers and trade unions actively participated in transition from planned socialist economy to market economy. Social partners were also involved in social dialogue with the government regarding implementation of the *acquis*

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through the adaptation of existing or adoption of new legislation in Slovakia during the pre-accession process to the European Union. The membership of employer and trade union organisations in RHSD was based on their influence in the economy. Social partners at the RHSD were entitled to prepare their standpoints and proposals to all-important issues, mainly legislation proposed by the government in the area of economic and social policy. Nevertheless, the results of the tripartite concertation itself did not have legal validity. When agreements between parties were achieved, they were considered as "gentlemen agreements" between social partners and the government. In case of disagreements, comments and standpoints of social partners were attached to government documents and draft legislation when were discussed at the Parliament. Although this process included several conflicting issues during almost two decades, e.g. critical standpoints of trade unions to insufficient activities of the government related to high unemployment and to the decrease of real wages, the strife between the social partners did not result in radical protests of the trade unions like strikes.

From 1991 to 2000, the Slovak Government concluded seven tripartite General agreements\(^4\) (kind of "social pacts") with social partners. General agreements (Generálna dohoda, GD), were concluded for one year and covered 1991, 1992, 1993, 1994, 1995, 1996 and 2000. General agreements can be considered as the most significant formalised outcome of the tripartite concertation in Slovakia. Provisions of General agreements concerned mainly duties of the government related to the implementation of the desirable economic and social reforms in the respective year. Initially, these agreements served also for negotiations about the national minimum wage. The implementation of measures agreed in General agreements was sometimes problematic that caused increasing tension between the social partners and the government. In 1996-7, this situation became more radical and increasing protests organised by trade unions and the KOZ SR led to a breakdown of the tripartite social dialog. Disagreements culminated when the trade unions refused to sign a new General Agreement for 1997. Tripartite social dialogue did not work in 1997-8. Nevertheless, the social peace in the country was not broken and the transformation process continued.

In 1999, when a new coalition government, led by Mikuláš Dzurinda, took over the power from the authoritative Vladimir Mečiar, tripartite negotiations started again. In order to reinforce the tripartism, the Parliament approved the Act No. 106/1999 on Economic and Social Partnership (Act on Tripartism). The new act mostly incorporated the previous operational guidelines for tripartism into the law. After three-years break, the parties signed the tripartite General Agreement for 2000. The General Agreement for 2000 consisted of taking measures in four main policy areas: economics, employment, income and social affairs. In spring 2001, the parties evaluated the agreed tasks and the trade unions had several critical comments. Some tasks were fulfilled, e.g. reduction in the taxation burden of employers and citizens. Some others, e.g. increasing real wages, reduction of unemployment, were, however, not achieved. The KOZ SR representatives were not satisfied with the fulfilment of the tasks and refused to negotiate for new general Agreement for 2001. Though the goals of the General Agreement for 2000 were achieved later on, no new general agreement was concluded in Slovakia, so far. Despite of declarations of social partners’ willingness to conclude a new general agreement, neither the government nor the trade unions and employers were actually interested in the conclusion of a new General agreement. It should be noted that even during 2002-2005, when significant economic and social reforms took place in Slovakia, no tripartite agreement between the government and social partners was concluded. The only exception related to the adoption of Euro in

\(^3\) More details about the content of General agreements are available in Cziria – Krššák – Čambalíková 1994.
Slovakia. The Slovak Government concluded a tripartite Declaration on Consensus regarding the implementation of Euro in the Slovak Republic with peak employer organisations AZZZ SR and RUZ SR, trade union confederation KOZ SR and Association of Municipalities (Združenie miest a obcí Slovenska, ZMOS) in January 2008. The Declaration was aimed at facilitation of smooth and successful adoption of Euro in Slovakia, improvement of the awareness of citizens and their protection against potential negative impacts of Euro implementation. In relation to the economic crisis, only bipartite agreement between the government and the KOZ SR was concluded in February 2009. It was the Memorandum on Cooperation in Solving Impacts of Financial and Economic Crises upon Slovak Society.

There were also changes in the form of tripartite social dialogue. Since 2005, tripartism operated as Economic and Social Partnership Council (Rada hospodárskeho a sociálneho partnerstva, RHSP). According to the Statute, to take part in the tripartism, employer organisations need to represent employers active in several regions in the country and having member companies employing at least 100,000 employees. Trade unions should represent at least 100,000 employees. Employers and trade unions are entitled to one seat in the Council for every 100,000 employees represented by them. The most significant change was, in terms of the RHSP Statute, that the outcomes of consultations were considered only as recommendations to the government. The structure of RHSP was different from the previous tripartite model where each party had seven representatives in RHSD. Since 2006, the tripartite body again changed. It was re-named to Economic and Social Council (Hospodárska a sociálna rada Slovenskej republiky, HSR SR) and each party had seven representatives in it (as it was before 2005). New tripartite model applies more precisely the ILO Conventions, particularly those related to freedom of association and protection of the right to organise and to tripartite consultations, which are binding for the Slovak Republic. In some sectors, e.g. in transport, post and telecommunications, also sectoral level tripartite social dialogue effectively takes place.

1.3 Workers participation and collective bargaining

Workers participation and social dialogue is ensured by law for all employees. Before 2002, only the trade union organisation was entitled to represent employees. This form of employee participation in enterprises changed in April 2002 when the Act No. 311/2001 on new Labour Code entered into effect. It allowed establishment of Works councils in establishments with 5-20 employees where no trade unions operated. Since May 2003, amendments to the Labour Code allow works councils in companies with more than 50 employees and employee trustees in companies with 5-49 employees, regardless of trade unions’ presence at the establishment. According to the Information System on Working Conditions (Informačný systém o pracovných podmienkach, ISPP), which is issued annually by Trexima, a.s. Bratislava, works councils were established in about 8% of surveyed companies in 2002. After above mentioned amendments to the Labour Code in 2003, ISPP figures show that the number of works councils established in surveyed enterprises increased to more 23% in 2009. Trade unions are usually present in bigger companies, mainly with more than 200 employees. According to the ISPP, more than 80% of Works councils or employee trustees were established in companies with 10-249 employees. Trade unions have the right to information, consultations, some joint decision making and control activities, e.g. related to OSH and to collective bargaining. Works councils have similar rights but have no right to collective bargaining and joint decision-making.
Collective bargaining has a long tradition in Slovakia. Act No. 2/1991 on collective bargaining, as amended, regulates it. The exclusive right to collective bargaining is assigned to trade unions, as employee representatives and to representatives of employers. Collective agreements regulate collective labour relations between the employer and the employees in respective sectors and companies. Contracting parties can agree on more convenient employment and working conditions and wages for employees than are stipulated by the labour legislation. Collective bargaining takes place at two levels:

- At the sectoral level, where multi-employer collective agreements (kolektívne zmluvy vyššieho stupňa, KZVS) are concluded between representatives of respective employer and trade union associations.
- At the company level, where single-employer collective agreements are concluded between local trade union organisations and the company management.

Collective bargaining is usually initiated by the trade unions through submitting a written proposal to the other contractual party. In order to conclude a new collective agreement or to replace the existing one, the contractual parties have a duty to bargain at least 60 days before the expiration of the existing collective agreement. Collective agreements, which do not specify their duration, are presumed to last for one year. A collective agreement is legally binding equally for employees, which are not trade union members.

Initially, collective bargaining in the private sector and the public sector was equally regulated. Radical change took place from 1 April 2002, when the implementation of the new labour legislation started to regulate labour relations differentially in the private and the public sector (Act No. 311/2001 on labour code, Act No.312/2001 on civil service and Act No.313/2001 on public service). According to these acts, multi-employer as well as single-employer collective agreements are concluded separately for employees in the private business sector, public service employees and civil service employees.

Sectoral collective bargaining is relatively widely spread and multi-employer collective agreements are usually concluded in several sectors. The validity of multi-employer collective agreements is subject to their registration at the Ministry of Labour, Social Affairs and Family (MPSVR SR). Collective agreements have to be deposited with the Ministry office but their legal effect does not depend upon such registration. Multi-employer collective agreements may cover also companies where no local level collective agreement was signed. The minimum or maximum levels of employment conditions and wages agreed in multi-employer collective agreements (KZVS) must be respected in single-employer collective agreements concluded at the company level. Only such employment conditions and wages, which are equal or more favourable than those agreed upon in the multi-employer collective agreement, may be agreed in the company collective agreements. The importance of the multi-employer collective agreements is in covering employees also in enterprises where no local level single-employer collective agreement is concluded. There does not exist formal mechanism to coordinate multi-employer collective bargaining in individual sectors and each trade union association is considered an independent legal subject. Nevertheless, sectoral trade union associations usually provide some assistance to collective bargaining in respective individual companies covered by the multi-employer


collective agreement in the sector. Besides minimum and maximum standards laid down by the labour legislation, there are no other limitations for collective bargaining in individual sectors. The number of concluded multi-employer collective agreements decreased from 60 in 1999 to 42 in 2005. During the economic crisis, it decreased below 40. Also collective bargaining coverage has been, hand in hand with drops in trade union density, decreasing during the last 20 years. While collective bargaining coverage was about 60-70% in 1993 according to estimations, about 35% of the employees in the economy were covered by any collective agreement in 2008. It is assumed that the coverage by collective agreements only slightly decreased in 2009-10.

Act No. 2/1991 on collective bargaining allows the extension of multi-employer collective agreements also to non-signature employers. Proposal on the extension may be submitted (by employer as well as by trade unions) to the MPSVR SR. The Committee for the extension of multi-employer collective agreements (Komisia pre rozširovanie kolektívnych zmlúv vyššieho stupňa) makes recommendation and the MPSVR SR takes the decision on the extension. Since 2000, there were several changes in the extension procedure. Initially, a multi-employer collective agreement could be extended to employers pursuing similar subject of business activities under similar economic and social conditions as employers, which had concluded the respective agreement. According to changes adopted in 2005, an extension of collective agreement required the consent of the employer concerned and in most cases, employers did not agree with the extension. Thus the number of extended collective agreements was rather small (only four collective agreements were extended during 2005-6). Act No. 328/2007 on collective bargaining again changed the rules for the extensions. Each multi-employer collective agreement is marked with a NACE code and it is be possible to extend it to those employers whose prevailing activity falls within respective classification of the sector. The extension cannot be applied, e.g. to small enterprises with less than 20 employees. The employer concerned can express its standpoint to proposed extension but it can not block the extension. The MPSVR SR decides upon the extension but the proposal on extension is reviewed by a tripartite working group established by the MPSVR SR for this purpose. The Act No.564/2009, which entered into effect from 1 January 2010, implemented slightly refined mechanism for extensions. After General Elections in June 2010, the Parliament adopted new extension rules according to which the extension again is not possible without the consent of the employer concerned.

1.4Labour relations and disputes

Individual labour relations are long-term regulated by the Labour code. For instance, the Labour Code regulates employment contracts, their termination and rules for dismissal of employees, employment and working conditions, including working time arrangements, wage related issues, occupational safety and health issues, employee representatives in enterprises, collective labour relations. Because no labour courts are established in Slovakia individual labour disputes resulting from breaching the labour law are dealt by civil courts. The Act on collective bargaining also regulates collective labour disputes between the trade unions and management in enterprises regarding collective bargaining-related issues. The law defines how collective labour disputes can arise and provides for procedures to be followed in case of mediation and arbitration\(^7\). Collective labour dispute may concern:

\(^7\) More information about the procedures is available in Welz and Kauppinen (2004): Social dialogue and conflict resolution in the acceding countries.
conclusion of collective agreement or fulfilment of commitments originated from concluded collective agreements. If there is a dispute related to collective bargaining, the mediation and arbitration procedures may be applied. A proposal for a mediator to be appointed for a dispute concerning the conclusion of collective agreement may not be submitted before the lapse of at least 60 days from submission of the written proposal to conclude a new collective agreement and opening the negotiations. Mediation takes place only if the parties desire it, and is aimed at bringing the two parties in a collective dispute to an agreement. Mediators are available in the list of mediators maintained by the MPSVR SR (similar list is available for arbitrators). If the parties fail to agree on a mediator, either party may apply to the MPSVR SR to appoint the mediator from the list. Parties in dispute are equally responsible for covering the cost of the mediator. If the mediation has failed, the parties may agree on referring the dispute to arbitration. The MPSVR SR, at the request of any of the contractual parties, may appoint an arbitrator, if the dispute concerns the interpretation of existing collective agreement, or in cases of concluding the collective agreement in companies where strike action is forbidden due to the nature of the profession or work, e.g. in some specialised civil and public services. Arbitrator may only be appointed by the MPSVR SR from the list, and cannot be the same person as the mediator. Specialised labour courts do not exist in Slovakia and either party should appeal to the civil court against the arbitrator's ruling within 15 days since the decision has been delivered, otherwise, the ruling is legally binding. In case the arbitrator's ruling is endorsed as invalid, the same arbitrator shall deal with the case again. In cases this is not possible, the MPSVR SR appoints another arbitrator. From 1997, about 30 cases of collective dispute were registered at the MPSVR SR annually. Since 2005, their number decreased to 20 and less. Mediation and arbitration procedures contributed to effective settlement of labour conflicts and significantly reduced strike activities. The majority of disputes concerned the conclusion of collective agreements and only few of them had dealt with a breach of duties agreed in concluded collective agreements. Almost all cases of collective disputes were successfully settled by a mediator or an arbitrator. There were only few cases, when neither the mediator nor arbitrator resolved the collective dispute and the trade unions proclaimed a strike alert. Even most of those cases were settled on the grounds of a mutual agreement involved parties.

The strike is expressly referred to in the law as an extreme measure, and it is to be held when in the process of a dispute on conclusion of a collective agreement all other options and measures have been exhausted. The law implies a peace clause into collective agreements, i.e. both parties concerned are obliged to keep the social peace after concluding the collective agreement. Strikes can also be organised in solidarity with employees of other enterprise or organisation. According to the Act No.209/2001 valid from 1 January 2002, the trade union organisation declaring the strike is not obliged to submit a name list of employees participating in the strike. The respective trade union organisation should take the decision on the strike upon the results of secret voting where majority of votes is needed. A strike may be considered as illegal if it: is not preceded by a formal claim for a collective agreement and an attempt at mediation (apart from solidarity strikes); takes place during the validity period of the collective agreement on the issue, once the arbitration process has started; is organised in breach of the notification requirements. Strikes are banned at times of emergency or disaster and in certain occupations, e.g. employees in nuclear facilities or those with crude oil or pipelines, and in health care facilities where action might endanger life or health, e.g. fire-fighters, soldiers. Public employees' right to strike is specified by acts on civil and public services. Employees may not be forced to participate in the strike, nor prevented from doing so and the employer is not allowed to replace employees on strike by recruiting other employees. The trade union must collaborate with the employer to prevent harm to the equipments and technology, and the trade union may be liable for damages sustained as a result of a strike which was declared by the court as illegal. The employers may go to the relevant regional court in case to seek a ruling that the strike is illegal. There is no right to pay or to unemployment benefit and sickness pay for strikers in
case the entitlement for sickness pay was obtained just during the strike period. Employees wishing to work, but unable to do so due to the strike, are entitled to their normal pay.

On the other side, the law on collective bargaining allows the employer to use the lockout of the business unit an extreme measure to respond to disagreements regarding collective bargaining. Employees affected by a legal lockout are entitled to 50% of their wage rate. The application of lockout by an employer is regulated by similar rules as are applied to strike organised by trade unions.

2. The economic crisis and its impacts

2.1 Economic background

Since 1990, Slovak economy went through a deep restructuring, which changed the structure of industrial branches, increased the share of the private sector and SMEs, as well as self-employed. In 1990, the share of the employees, who worked in the private sector, was only 20% but in 2006 it was nearly 60%. In 2006, the SMEs employed more than 40% of employees of Slovakia. Similarly, the number of self-employed increased. The restructuring also significantly affected the labour market. In 1993, when the Slovak Republic was established, the unemployment rate was more than 12% but in 1999-2004 it has been increasing and reached approximately 19%.

Improved business environment, which included implementation of 19% flat tax for the physical and legal persons from 1 January 2004, contributed to business development and creation of new jobs in Slovakia. Increasing inflow of new investments was also influenced by available qualified and relatively cheap labour force. The accession of the Slovak Republic to the European Union in May 2004 and joining the Euro zone in 2009, played important role in this, too. All those events attracted significant foreign entrepreneurs to run their business in Slovakia and created dozens of thousands of new jobs in the country. The biggest investments were located in the automotive and electric industries. For instance, almost 70% of restructuring cases recorded by European Restructuring Monitoring (EMCC) in Slovakia in 2004-2009 were related to the business expansion. The effects of the new investments were reflected in a high growth of GDP. In 2004-2008, GDP grew from 5% to 10%, and Slovakia belonged to countries with the highest economic growth in the EU. Economic growth resulted in increasing employment and wages grew in nominal as well as real term. According to the Slovak Statistical Office (Štátny štatistický úrad, ŠÚ SR), real wages increased by 3.8% in average in 2007-2008. High 18.1% unemployment rate in 2004 gradually decreased and before the economic crisis affected the economy in 2008 the unemployment rate was 9.5%. Besides the recession, also Slovakia suffered from problems with the supply of Russian gas to Europe in January 2009. Significantly reduced volume of gas was delivered to Slovakia almost for three weeks that also limited the development of economy.

2.2 Impacts of the crisis

The positive economic development in Slovakia in 2004-2008 was interrupted by the economic crisis. In September-October 2008, the enterprises started to notice effects of the economic downturn through fewer orders from their customers, mainly from the EU Member States. Employers responded to the recession by internal restructuring and sometimes also bankruptcies took place. These processes resulted in redundancies and significant job cuts. Many enterprises decided to solve redundancies by mass dismissals. In October 2008, the number of collective dismissals increased. From October 2008 to May 2009, employers reported to the regional offices of the Headquarter of Labour, Social Affairs and Family
(Ústredie práce, sociálnych vecí a rodiny, ÚPSVAR) mass dismissals of more than 37,000 employees. According to the ÚPSVAR, the number of registered mass dismissals increased from 174 in 2007 to 218 in 2008 and 347 in 2009. The number of actually dismissed employees increased from 10,417 in 2007 to 23,367 in 2009. Table 1 shows that mass dismissals culminated in 2009 and the number of enterprises as well as employees concerned by collective dismissals radically decreased in 2010 when respective figures were lower than in 2007, i.e. before the economic crisis emerged in the country.

<table>
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<th>Table 1 Collective dismissals in 2007-2010</th>
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<tr>
<td>2007</td>
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</tr>
<tr>
<td>Number of registered cases</td>
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<tr>
<td>Number of enterprises concerned</td>
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<tr>
<td>Number of threatened employees</td>
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<tr>
<td>Number of actually dismissed employees</td>
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</table>

Source: ÚPSVAR

Collective dismissals took place mainly the mechanical engineering, car production, textile, footwear and glass industries. At the same time, vacancies registered at regional offices of ÚPSVAR decreased from more than 19,000 in September 2008 to 7,079 in July 2009. According to the Ministry of Economy (Ministerstvo hospodárstva Slovenskej republiky, MH SR), almost 35,800 jobs were threatened by mass dismissals from January to June 2009. Almost 15,300 employees were actually dismissed till June 2009 (Pravda, Newspaper, 2 July 2009). The industrial production was affected by the crises at most. According to the ŠÚ SR, industrial production decreased by 14.6% in 2009 in comparison with 2008. The deepest decrease concerned production of transport equipments (mainly personal cars), by 27.3%, of machines and tools by 23.3% and products made from rubber, plastic and non-metal stuff, by 22.4%. About 18% drop was in the construction. Decline in the industry caused a significant decrease of the performance of the economy, which is notably dependent on car production and production of machines and tools. Consequently, the GDP decreased by 4.8% in 2009 in relation to 2008. Due to lower inputs to the state budget and higher state expenditures, which also covered implementation of adopted anti-crisis measures, the deficit of public finances increased from 2.3% of GDP in 2008 to 6.8% in 2009.

The global economic crisis also had significant impact on employment and wages in Slovakia. Since October 2008, the unemployment rate started to grow rapidly and in July 2009 the rate of registered unemployment increased from less than 10% to 12.1%. Economic crisis also resulted in lower wage increase. According to ŠÚ SR, real wages increased by only 1.4% in 2009. Table 2 and graph 1 provides more details on development of the Slovak economy during the economic crisis.

<table>
<thead>
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<th>Table 2 Development of the economy in 2006-2010</th>
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<tr>
<td>2006</td>
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<td>-----------------</td>
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<tr>
<td>Real GDP growth in %</td>
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<td>Inflation in %</td>
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<td>Employment rate (15-64) in %</td>
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<td>Real wage increase in %*</td>
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<td>Minimum wage in euro</td>
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Source: Eurostat and ŠÚ SR
Economic crisis had obvious impact on the structure of restructuring in the economy. According (ERM) data, from 2004 to October 2008 almost 80% of all registered cases of restructuring were business expansion accompanied with creation of new jobs. Internal restructuring and bankruptcy together presented only 18% cases. From October 2008 to May 2009, when the impact of the economic crisis culminated, restructuring structure changed dramatically. The internal restructuring and bankruptcy cases took 76% share of all registered cases in the ERM, and the share of business expansion decreased to 25% in that period. From October 2008 to December 2009, internal restructuring, bankruptcy and closing of companies and delocalisation of production from Slovakia to abroad made nearly 60% of all recorded cases. Business expansion shrank to 30%. Changes in the structure of restructuring are displayed in graphs 2 and 3.

Graph 2 Types of restructuring 2004 - October 2008
Economic crisis often resulted in internal restructuring in companies, which was usually followed by dismissals. Companies under restructuring implemented a variety of measures aimed at the increase of their effectiveness. These measures usually included changes in product portfolio, organisation structures, implementation of more flexible forms of employment and work organisation, including more flexible organisation of working time. For instance, open-ended employment contracts, part-time work, relocation of employees to another job, flexible working time patterns can be mentioned as examples. Relocation of redundant employees to other jobs and/or other places than was agreed in their employment contracts without their consent is not easy. It is regulated by the Labour Code, which allows this only exceptionally in defined cases. Local employee representatives were consulted about company restructuring in compliance with the Labour Code. Nevertheless, employers were not obliged to take into account their view and comments when taking the decision on the restructuring and dismissals. An employer planning a collective dismissal is obliged to consult with employee representatives the measures enabling avoidance of collective dismissal or reduction of its extent at least one month before launching the dismissals. The employer is obliged to submit a written report on the result of the consultation to employee representatives and to public employment offices. The employer can dismiss the redundant employees earliest after one month since the delivery of this written information.

Employee representatives, usually trade unions, were actually involved in consultations about restructurings followed by mass dismissals. When restructuring had serious impact on the employment and social situation in the region also sectoral trade union associations were involved in. The case of excessive restructuring on the public railways can be mentioned as an example. Local trade union representatives are usually active in negotiation with company management about the level of redundancy payments and on rules applied in case of dismissal of employees. These issues used to be specified in company collective agreements. Redundancy payments over the standards set up by the Labour Code and rules
concerning dismissals of redundant employees are usual provisions agreed in collective agreements during the crisis.

Public employment services were consulted in cases including mass dismissals following their public announcement. Local and regional offices of the ÚPSVAR were involved in these consultations. The participation of the ÚPSVAR is regulated by Act No. 5/2004 and by Act No. 311/2001. ÚPSVAR offices are consulted in order to find options for the reduction of the impact of collective dismissals on the labour market. According to the law, a period of at least 30 days is available for this. Offering redundant workers to some other employer, which needs new employees, can be mentioned as an option. Act No. 5/2004 also regulates employment services provided for dismissed employees, including provision of unemployment benefits. The amount of unemployment benefit and the period of its granting is uniform for all categories of people drawing this benefit. Present legal regulations stipulate the sum of unemployment benefits, which makes 50% of the former average wage of the employee. The entitlement period is six months. The MPSVR SR used to be consulted on request about cases, which have serious impact on employment and living conditions in the region, e.g. mass dismissals, closure of enterprises. Checking the legality of the employer's decisions is the usual case. In cases of major restructurings of public companies also state administration bodies were involved. For instance, in case of restructuring of public railways in 2002-2005, the Ministry of Transport, Post Offices and Telecommunications (Ministerstvo dopravy, pôšt a telekomunikácií Slovenskej republiky, MDPT SR) was involved in negotiations with trade unions representatives.

3. The government response, policy and adopted measures

First signs of the economic crisis emerged in autumn 2008. In order to alleviate impacts of the economic crisis on Slovak economy and citizens, the government adopted more than 60 measures from October 2008 to March 2009. Adopted measures were aimed mainly at support to business development, mainly in SMEs, maintaining employment and even creation of new jobs. Measures also concerns fiscal and tax policy, reduction of energy costs, support to export, innovations and research and included the utilisation of EU Funds. Consultations between the Government and the KOZ SR led to conclusion of the Memorandum on Cooperation in Solving Impacts of Financial and Economic Crises upon Slovak Society in February 2009. The Memorandum expressed, inter alia, joint efforts of the Government and trade unions in the adoption and implementation of measures aimed at alleviating the impacts of financial and economic crises upon citizens, employers and business in the Slovak Republic.

The Government pledged to:

- Consistently fulfil its Programme Declaration, mainly in areas which have an impact upon employment, and will carry out only such steps that will not threaten societal balance in the country. It will adopt measures supporting and retaining the social peace.
- Respect and deal with proposals and solutions of the KOZ SR as its social partner, and in this term to implement social dialogue between individual ministries and respective trade union associations.
- Adopt and support as much as possible measures aimed at retaining and even increasing the employment.

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8 Act No. 5/2004 Coll. on employment services and on change and supplements of some laws, as amended.
• Cooperate with the KOZ SR in retaining and guaranteeing the current status and legal protection of employees, and not to amend the labour legislation (e.g. the Labour Code) at the expense of employment conditions of employees.

• Ensure (via suitable legislation) the conditions for retaining and creating new jobs. Before the draft legislation is submitted, the actual situation and legislation applied in the EU will be analysed, and an impact-analysis will be made in active cooperation with the KOZ SR representatives.

• Discuss operatively and inform the KOZ SR about any trends, which could have a negative impact on employment level and employees.

• Prevent by any available means the mismanagement of the crises for unjustified decline in legal, economic and social stability of employees.

The KOZ SR pledged to:

• Bargain on the increase of real wages and salaries and take into account the level of labour productivity.

• Use social dialogue at all levels of management as a decisive tool for retaining the social peace, during the economic crises.

• Provide objective information about the Government measures within its organisational structures and members and provide feedback to the Government about the application of adopted measures in enterprises.

The Memorandum provided a basis for reaching consensus also with employers in combating impacts of economic crises.

In March 2009, the government adopted the second package of anti-crisis measures. Among measures aimed at maintaining employment following ones can be mentioned:

• Provision of a state allowances to employers, which employ redundant employees for at least 60% of wages, instead of dismissing them. The subsidy was provided to cover compulsory contributions to insurance funds during 60 calendar days during the year, as a maximum. Implementation of the measure was often combined with some form of short-time working (STW) for reduced wages. The measure was applied till the end of 2010.

• Flexible working time account served as a basis implementation of flexikonto of which implementation was allowed by amendments to the Labour Code. Flexikonto can be applied by employers suffering from the downturn. Temporary redundant workers are on unintended time-off with full basic wages at least. After the obstacles to work are over, employees have to work out the missing working hours at the employer without a wage. The measure was initially applicable till end of 2012 but recent amendments to the Labour Code does not limit its implementation.

• Temporary reduction of compulsory contributions to the Solidarity Fund paid by self-employers to Social Insurance Agency (Sociálna poistovňa, SP) from 4.75% to 2% of the tax assessment base. The measure was applied till end of 2010.

• Employers which create new jobs for registered unemployed could receive the state subsidy amounting from 15% to 30% of the value of the average wage in the country, or up to 50% of the wage cost related to employed job-seeker during 12-month period.

• Support to registered unemployed who set up own business as self-employer. They can receive a subsidy to cover compulsory health insurance payments during 22 month and later on also social insurance payments for four month.

• Unemployed in social need, who has found ownself a low paid job, can receive allowances amounting to 22% and 11% of the average wage in the economy during 12 and 22 month period respectively.
The government planned to release more €330 million from the state budget to support implementation of anti-crisis measures maintaining economic growth and employment as far as possible. Companies, mainly in the automotive and electric industries implemented flexible working time schedules and employees mainly in the automotive industry, were working according individual working time accounts (flexikonto). When orders were low, employees were on unintended time-off with full wages. When orders went up again, employees should work out paid leaves according to employer's demand. Companies suffering from the crisis usually reduced employment by finishing first of all with employment of agency workers, cancelling contracts with self-employers and some previously outsourced activities were again performed by own employees. Management also decided to cut production costs through lower labour costs, e.g. by reduction of planned wage increases, cutting usual employee benefits and awards.

Some measures adopted in relation to the economic crisis were aimed at specific sectors. Subsidies promoting selling of new cars (known as scrappage) supported car manufacturing companies and maintained jobs but mainly outside Slovakia in other EU Member States. In order to purchase a new car financial contribution of 1,000-1,500 euro was provided to owners of old cars, which were submitted by their owner for scrapping. The subsidy was available in two stages in 2009. It amounted to 33.2 million euro in March and to 22.1 million euro in April. The measure was very popular and about 40,000 old cars were scrapped in Slovakia through this measure during about two month. The impact of the measure on Slovak car industry was, however, moderate. In order to support the construction sector, a measure providing grant to owners of flats and blocks of flats for thermal isolation and decrease of energy consumption was adopted. Similarly, contributions for purchase of solar collectors and for exchange of old gas boilers for new ones were provided.

To assist employers and self-employed, the Ministry of Economy (Ministerstvo hospodárstva Slovenskej republiky, MH SR) implemented specific online service at its website. http://www.economy.gov.sk/najcastejsie-otazky-cre/129590s. It provided answers to frequently asked questions and recommendations how to deal with impacts of the economic crisis. In case of company bankruptcies the Social Insurance Agency (Sociálna poisťovňa, SP) is involved in provision of resources from Guarantee Fund to compensate wages not paid to employees by employer. According to the law, these resources can be used for three-month payments as a maximum. Law on bankruptcy and restructuring provides protection of creditors’ interests and rights during the bankruptcy. Employees are included on the list of preferred creditors. Protection of the rights of employees to wages in case of company insolvency was strengthened also by the adoption of the Revised European Social Charter in Slovakia from 1 June 2009.

On 1 October 2009, ITC ILO organised the National Seminar on Restructuring in Bratislava. The National Seminar was a part of such seminars organised in each EU Member State on request of the EC. Almost 40 representatives of the government, employers, trade unions and researchers discussed actual issues related to impacts of the economic crisis and company restructuring in Slovakia. National experts outlined the key elements of restructuring in the country and framed topical issues for the debate. Participants discussed tools and measures used for anticipation and management of restructuring in Slovakia. Attention was paid to implementation of measures and tools applied during present economic crisis in order to maintain employment in companies facing to downturn. Participation of trade unions in their implementation was discussed as well.

Early in November 2009, the Prime Minister, Mr. Robert Fico asked some ministers to elaborate proposals to tackle the increasing unemployment. On 23 November 2009, proposals made by the government were discussed by social partners in the tripartite HSR. The MPSVR SR proposed to prolong the entitlement period to unemployment benefit from six to eight months. For unemployed, who were not entitled to unemployment benefit, should be provided a new social benefit for a period of three months. The representatives of the...
trade unions welcomed the measures and proposed to utilise available resources of the active labour market policy measures for implementation of these measures. Representatives of employers were, however, not satisfied because financial resources for implementation of the proposed measures were not specified by the government.

Present Slovak Government, led by the Prime Minister, Ms. Iveta Radičová, stated its main tasks in the Programme Declaration where improvement of business environment, combating of corruption, reduction of unemployment and public debt belong to priorities. To reduce the public debt, the government adopted a package of economy measures in the state budget for 2011. Available statistics indicate increasing production of the industry, which is followed by increasing employment in the 1st Q of 2011. At the same time, the statistics indicate increasing consumer prices and decrease in real wages at the same time.

4. The impact of the crisis on industrial and labour relations and on institutions

Economic crisis as such did not impact significantly the existing system of industrial relations, which is based on tripartite and bipartite social dialogue, including sectoral and company level collective bargaining. Nevertheless, there were partial changes concerning organisations of social partners. The trade union density has been decreasing also before the economic crisis and the economic crisis likely contributed to further decline in union membership. According to KOZ SR representatives, trade unions lost some members in companies where significant restructuring and dismissals took place. On the other hand, the unions also gained some new members from employees, who were potentially threatened by dismissals and assumed that can get support from trade unions in case they would actually be redundant. Table 3 shows the development of trade union membership in Slovakia in the last decade.

<table>
<thead>
<tr>
<th>Table 3 Trade union membership in 2001-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of unionists (in 0,000)</td>
</tr>
<tr>
<td>2001</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>655</td>
</tr>
<tr>
<td>Change towards the previous period (0,000)</td>
</tr>
<tr>
<td>-76</td>
</tr>
<tr>
<td>Density %</td>
</tr>
<tr>
<td>34</td>
</tr>
<tr>
<td>Change towards the previous period %</td>
</tr>
<tr>
<td>-4</td>
</tr>
</tbody>
</table>


Decline in trade union membership is also indicated in ISPP annual reports published by Trexima, a.s. Reports are based on a sample survey in enterprises which covers 30% - 40% of employed in the economy in the respective year. According to ISPP, the share of enterprises in the sample where trade unions were present decreased from 48% in 2007 to 43% in 2008, 42% in 2009 and 33% in 2010.

Besides decrease in trade union membership there were changes in KOZ SR member union associations and in employer organisations. The economic crisis accelerated mergers of some of these trade union associations. While KOZ SR associated 31 sectoral trade union associations in the end of 2008, in 2010 it associated only 27 members. Due to the lack of financial resources caused by decreasing membership, integration of several trade union associations affiliated to KOZ SR took place mainly in 2009. Trade Union Association Metalurg (Odborový zväz Metalurg, OZ Metalurg) affiliated to the Metal Trade Union Association (Odborový zväz Kovo, OZ Kovo), Slovak Trade Union Association of Energy (Slovenský odborový zväz energetíkov, SOZE) merged with the Trade Union Association of Chemical Industry (Odborový zväz Chémia, OZCH SR) and established a joint Energy-
Chemical Trade Union Association (Energiecko-chemicky odborovy zväz, ECHOZ), the Textile, Leather and Footwear Industry Workers Trade Union Association (Odborový zväz pracovnikov textilneho, odevneho a koziarskeho priemyslu, OZ TOK) and the Trade Union Association of Transport, Road Management and Car Repair (Odborový zväz dopravy, cestného hospodárstva a autoopravárenstva) merged with the Trade Union Association of Construction (Odborový zväz Stavba, OZ Stavba) and established the Integrated Trade Union Association (Integrovaný Odborový zväz, IOZ). Slovak Trade Union Association of Societal Organisations joined the Slovak Trade Union Association of Public Administration (SLOVES) in 2010.

Only few changes took place in peak employer organisations. The Association of Mechanical Engineering (ZSP SR), which left the RÚZ SR in 2008, became member of employer organisation AZZZ SR. Thus ZSP SR affiliation increased the membership of AZZZ SR in terms of number of companies as well as in terms of number of employees working in those companies. Despite of these partial changes in organisation of social partners, no significant changes took place in mechanisms applied in industrial relations system before the economic crisis. Tripartite social dialogue as well as two levels bipartite collective bargaining and mechanisms available for settlement of collective labour disputes related to collective bargaining continued without significant problems and interruptions or breaks in 2008-2010.

However, overall economic crisis had impact on employment and working conditions as well as wages and employee benefits in enterprises, in the private sector in particular. Collective bargaining plays important role in wage setting and it was the case before and during the recession as well as at the present recovery. According to the ISSP reports for 2007-2010, wage moderation took place in almost all monitored companies during the economic crisis. ISPP also analysed issues agreed in collective agreements concluded in surveyed companies. For instance, the sample survey covered about 3,500 companies in 2008 and 2009 and 4,500 companies in 2010. The crisis had moderate impact on the number of working hours worked out in companies. According to ISPP, average number of weekly working hours collectively agreed in company collective agreements in the sample did not change much during the economic crisis. In single shift work it was 38.8 hours in 2007 and 38.9 hours in 2010. In general, average collectively agreed weekly working hours slightly increased in most of sectors in 2009, when the impact of the economic downturn culminated. In some sectors also increased in 2010 when recovery emerged.

Enterprises, which were hit by downturn, tried to implement measures maintaining employment of core workers as far as possible. Management of these companies usually implemented flexible forms of work organisation and working time arrangements. Implementation of these measures was supported by anti-crisis measures adopted by the government in order to maintain employment in enterprises which suffered damage from the crisis. Following examples illustrate measures most frequently implemented in practice.

**Example 1**

**Flexikonto** was the usual type of flexible working time patterns implemented in order to maintain employment in companies suffering from decline in job demand. This measure was adopted by the government within the framework of anti-crisis measures to maintain employment in enterprises hit by the crisis. Its implementation was allowed by amendments to the Labour Code in March 2009. Flexible working time account served as a basis for implementation of the flexikonto. Flexikonto can be applied by employers having lack of demand for labour. Redundant workers are on unintended time-off with full basic wages at least. After the lack of labour demand is over, employees have to work out the missing working hours at the employer without a wage. Flexikonto was initially planned to be applicable till end of 2012. Amendments to the Labour Code planned in 2011 are to change implementation of flexikonto to unlimited time. Volkswagen Slovakia Company can be
Example 2

Short-time working (STW) was the next measure of flexible working time patterns implemented during the crisis. Its application is based on provisions of the Labour Code allowing the employer in economic difficulties either to dismiss redundant employees or to retain them under specific conditions when redundancies are considered temporary. For instance, it was the case of the automotive industry of which production significantly dropped in 2009. In such cases, employers can let employees out of work, (usually at home) for a reduced pay. Labour Code sets the minimum pay level that has to be paid to employees who have been given temporary leave. It should be at least 60% of wages of the respective employee. According to trade unions, even higher level of such pay was agreed in company collective agreements. Employers which decided to retain redundant employees received a state allowance. Allowance was provided in order to cover compulsory contributions to insurance funds during 60 calendar days during the year, as a maximum. Companies, which believed in recovery decided not to dismiss core employees (those companies terminated employment contracts with temporary agency workers and some self-employed working for them in the first instance). Also this measure was used by car producing companies, which used this measure several times in 2009 when the car production was interrupted for some weeks. The provision of the state allowance was applied till the end of 2010. Companies usually introduced shorter weekly working time to maintain the employment in the company. Fewer hours were worked out per day and employees received proportionally reduced wages for reduced daily working time. In other companies, workers worked fewer days per week. For instance, Kia Motors in Žilina usually applied shortened daily working time and U.S. Steel Košice applied shortened working week.

Above measures were implemented in multinationals as well as domestically-owned companies. According to ÚPSVAR, these measures were applied in dozens of companies and it is assumed that they assisted in maintaining about 45,000 jobs (Daily newspaper SME, 15 July 2009. Prepúšťajú viac po „kusoch“). The economic downturn shortened financial resources in companies and increased expenditures related to dismissals of redundant workers. Besides implementation of flexible forms of working time arrangements some changes took place also in internal work organisation when it was necessary to adapt the work organisation to cuts in the labour force. Some companies took advantage of lacking labour demand to improve skills of their work force and retrain their staff during the economic crisis.

Though economic problems in companies were often accompanied by mass dismissals these problems did not resulted in significant labour disputes in companies and sectors concerned. According to the MPSVR SR, the number of labour conflicts registered by the Ministry was stabilised in 2007-2008 and decreased in 2009 when the impact of economic downturn culminated in particular. Those labour conflicts were settled by mediation or arbitration procedures and did not resulted in any strike activity in this year. Available data show that industrial relations in 2009 were more peaceful than before the economic crisis in 2007-2008 and in 2010 when the recovery started. More details are available in table 4. No lockouts were reported in these years.
<table>
<thead>
<tr>
<th>Number of registered cases</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of strikes*</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Správy o sociálnej situácii obyvateľstva Slovenskej republiky 2006 -2010. MPSVR SR
* Information from trade unions

Regarding strike activities, it should be mentioned that none of strikes taking place in 2006-2009 was according to the Act on collective bargaining, i.e. no strike was related to collective bargaining. These strikes were based on the general right of citizens to strike according to the Constitution of the Slovak Republic. For instance, in 2006, it was 14 days strike of about 1,330 health care workers 10, in 2007 it was six days strike of about 100 air traffic controllers 11 and in 2008 it was 30 hours strike of about 1,600 workers in Kromberg & Schubert Company.

The year 2010, when first signs of the economic recovery emerged, was less peaceful as 2008-9. Three strikes and several strike alerts were reported in Slovakia in 2010. Metal Trade Union (OZ Kovo) supported a short-time occupational strike of employees in South Korean Yura Eltek Corporation Slovakia in Rimavská Sobota (supplier of cable harnesses for the automotive industry) in June 2010. According to trade unions, employees decided for strike due to resistance of company management to establishment of local trade union organisation in the company. Workers in textile companies Kali Agro and Slo.vi in Hencovce decided to strike for higher wages and better working conditions in August. Transport trade unions associated in OZ Kovo threatened by strike in regional bus transport companies in May-June 2010. Trade unions responded to the demand of employees in these companies, who required keeping allowances in the transport fare for them.

Also disagreements between trade unions and management regarding collective bargaining emerged in some companies. For instance, trade unions in Delphi Slovakia Company in Senica threatened by strike regarding unsuccessful collective bargaining for 2% wage increase. Trade unions in Volkswagen Slovakia announced strike alert for higher wages during collective bargaining in March. To support sectoral collective bargaining for multi-employer collective agreement in the steel sector OZ Kovo mobilised the member unions and declared a strike alert in some companies, e.g. in US Steel Košice. Gas Trade Union (Plynárenský odborový zväz, POZ) declared strike alert regarding planned dismissal in SPP Company in October. In October-November 2010, trade unions associated in KOZ SR organised protest actions against cuts in the state budget for 2011 and planned changes in the labour legislation by the new government. Acceleration of industrial actions in 2010 can be attributed to on going recovery in companies and maybe to restraint of employees in articulation of their demands and precaution trade unions in organisation of industrial actions in previous year/s hit by the economic crisis.

5. The role of industrial relations institutions during the crisis
5.1. Tripartite social dialogue

During the economic crisis, social partners were involved in tripartite social dialogue on issues related to the economic crisis. Tripartite social dialogue took place through regular meetings of tripartite Economic and Social Council (Hospodárska a sociálna rada, HSR). Since late 2008, the Slovak Government intensified its activities aimed at alleviating the

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10 According to Slovak Statistical Office.
11 According to information from trade unions
consequences of the financial and economic crises upon the Slovak economy and citizens (described in part 3). Policies and measures proposed by the government in order to face the economic crisis as well as their implementation in practice were consulted with representatives of employers and trade unions at the HSR. HSR meetings usually took place monthly but during the economic crisis it met even more frequently. From September 2008 till the end of 2009 HSR met 24 times and in September 2008 and 2009 and in November 2009 there were three meetings per month. HSR meeting on 29 September 2008 dealt with report on development trends in the economy in the first half of 2008 and prognosis for the second half of 2008. The report informed about good results in the first half of 2008 and provided an optimistic development in the rest of the year. There were no critical remarks yet about the approaching economic crisis. Nevertheless, at HSR meeting on 15 December 2008 actual development in the economy in relation to the economic crisis was first time discussed.


On 2 February 2009, the government submitted a package of anti-crisis measures and discussed them with social partners. Since that, eight reports on impacts of the economic crisis and implementation of adopted anti-crisis measures were discussed at HSR meeting till August 2009. On 9 November 2009, already three documents related to the economic crisis in Slovakia and in the EU were discussed. In document *Zhodnotenie prijatých opatrení EÚ a národných vlád na prekonanie dôsledkov globálnej hospodárskej krízy v oblasti zamestnanosti z pohľadu využiteľnosti v podmienkach SR* crisis-related measures adopted in EU were reviewed regarding options for their implementation in Slovakia.

http://rpo.rokovania.gov.sk/hsr/Rokovanie.aspx/HtmlFileRedirect?filePath=PublishHtmlFile%2F0d29f147-e2ff-4632-b3c1-02e017c5b1e1.htm. Discussion at HSR meeting showed that overall economic crisis has global impact on economies and Slovak economy, which is export oriented, suffers from worldwide recession in particular. It was stated that is not possible to solve this problem by measures adopted inside the country without recovery of economies where Slovak economy exports its products. Therefore the government put attention mainly to maintaining employment in companies suffering from the recession and the next HSR meetings on 23 November dealt with proposal how to maintain employment and support creation of new jobs. Nevertheless, since this meeting there was no other report or other crisis related document submitted and discussed at HSR in 2009. In 2010, there were 16 meetings but no one dealt particularly with the recession and implementation of adopted anti-crisis measures. HSR did not deal with the economic crisis in particular neither in the first half of 2011.

To deal with impacts of the economic crisis on the economy and the society the government established a specific body the Council for the Economic Crisis (*Rada pre hospodársku krízu, RHK*). First meeting of the Council for the Economic Crisis took place in January 2009. Nominated experts from the government, employer organisations, banking sector, including the Slovak National Bank, representatives of cities and villages (ZMOS), trade unions and science participated at its meetings. Also the opposition in the Parliament had its joint representative in the RHK. Nevertheless, the opposition recalled its representative from the RHK’s meetings after few months. First meetings of the RHK dealt with measures aimed at maintaining employment in companies. Next meetings dealt mainly with particular measures aimed at the support to development of entrepreneurship and business. During nine month in 2009, the RHK assessed more 60 measures related to the economic crisis. Activities and measures aimed at the alleviation of impacts of the economic recession on the economy and

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employment were discussed with nominated experts who also proposed options how to increase their effectiveness. State administration bodies elaborated monthly reports about the impact of the recession on the economy of the Slovak Republic. These reports also provided information about actual situation in the labour market, including planned dismissals at significant employers and expected increase in unemployment.

For instance, following information was presented in these reports:

- actual situation and trends in the economy of the Slovak Republic, in manufacturing industry and construction in particular,
- actual situation in the economy of EU Member States, including neighbouring countries, which were mostly relevant for the export of Slovakia, e.g. Germany,
- total number of unemployed in the Slovak Republic and in individual regions, inflow of new job seekers and available vacant jobs,
- information about planned and realised mass dismissals in companies registered at employment offices and the number of affected employees,
- information from significant employers in the automotive and electric industries, e.g. Volkswagen Slovakia, Kia Motors, PSA Peugeot Citroën, Samsung, Sony about redundancies and planned dismissals.

5.2 Collective bargaining

5.2.1 Existing regulation and trends

Labour relations and collective bargaining just before the economic crisis were regulated according to amendments in the labour legislation adopted in 2007 when Mr. Robert Fico (SMER-SD) led the government coalition. These changes were adopted in order to revise several provisions of the labour legislation, which were adopted by the previous government led by Mr. Mikuláš Dzurinda and were strongly criticised by trade unions. These changes concerned mainly the Act on collective bargaining and the Labour Code. Trade unions welcomed the amendments but representatives of employers were disappointed by them. To map existing labour relations and collective bargaining rules in enterprises in Slovakia, the Institute for Labour and Family Research (Inštitút pre výskum práce a rodiny, IVPR) made a survey Výsledky prieskumnej sondy o uplatňovaní kolektívnych pracovných vztahov v podnikoch na Slovensku in autumn 2008. The aim of the survey was to gain opinions of social partners regarding the existing legal regulation particularly after amendments to the Labour Code implemented in September 2007. The survey covered a sample of 77 enterprises of all size and domestic as well as foreign ownership. Representatives of the management and employees in surveyed enterprises were interviewed via questionnaires. Employees were represented by single trade union organisation in 47 enterprises and in 11 enterprises several trade union organisations represented them. Trade unions as well as works councils represented employees in four enterprises. Trade unions did not exist at all in 15 enterprises and works councils represented the employees there. Though the survey can not be considered as representative one, its outcomes provide a background information about legal regulation of collective bargaining in Slovakia at the time when the economic crisis started to impact the economy.

The survey showed that are wages, employment security and working conditions, including occupational safety and health (OSH) are most important issues of collective bargaining.
Social partners considered collective bargaining as prevalingly consensual and only 17% of interviewed trade unionists reported conflicts with employers during collective bargaining. Wage bargaining was considered by nearly 73% of employers and 32% of trade unionists as one of the most conflicting issue of the collective bargaining. Employment conditions, including employment security issues, working conditions and wages were nearly in 80% of surveyed enterprises regulated by single employer collective agreements. Only in 17% of surveyed enterprises were those issues regulated by multi-employer collective agreements. Collective agreements were usually concluded for a period longer than a year. In nearly 64% of enterprises collective agreements were concluded for two or three years. According to the survey, collective labour disputes related to collective bargaining were usually solved through negotiation between social partners. In case of more serious conflicts, both employers and trade unions used consultations with their own lawyers – this made about 50% of cases. In about 30% of cases employers and trade unions asked for assistance the National Labour Inspectorate (Národný inšpektorát práce, NIP).

The survey investigated also satisfaction of social partners with the existing rules and conditions for collective bargaining in enterprises. Most of respondents (74% of employers and 73% of employee representatives) expressed their satisfaction with the existing representation of employees in collective bargaining through trade unions. Most of the employers (90%) and employee representatives (73%) expressed their full satisfaction with the existing legal regulation of social partners’ activities during collective bargaining. Nonetheless, representatives of the trade unions had reservations against the fact that the legislation does not specify any deadline for the conclusion of collective agreements and does not specify the obligation of the employer to conclude a collective agreement at all.

The least satisfaction was expressed by employers and trade union representatives with existing practice concerning the solution of disagreements regarding conclusion of collective agreement when more than one trade union organisation exist in the enterprise. Problematic issue was how to decide which trade union organisation has the right to collective bargaining and conclusion of the collective agreement in such case. According to the employers, the employer should negotiate only with one - joint representative of all trade unions existing in the company. The unions should jointly agree who will be their representative in collective bargaining. According to trade unions, all trade union organisations involved in collective bargaining should have equal rights to bargaining. Trade unions considered more convenient when individual trade unions were not able to act jointly in collective bargaining, the trade union organisation with the highest number of members will negotiate on behalf of employees. Table 5 illustrates opinions of social partners to some issues of collective bargaining regulation.

<table>
<thead>
<tr>
<th>Table 5 Satisfaction with regulation of collective bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers</td>
</tr>
<tr>
<td>Eligibility of trade unions to negotiation</td>
</tr>
<tr>
<td>Fully satisfied</td>
</tr>
<tr>
<td>Eligibility to multi-employer bargaining</td>
</tr>
<tr>
<td>Fully satisfied</td>
</tr>
<tr>
<td>Did not respond</td>
</tr>
<tr>
<td>Resolution of disputes about eligibility to negotiations</td>
</tr>
<tr>
<td>Fully satisfied</td>
</tr>
<tr>
<td>Did not respond</td>
</tr>
</tbody>
</table>

Social partners considered existing rules for the extension of the multi-employer collective agreements as the most problematic issue. Less than 23% of employers and 43% of the trade unionists expressed their satisfaction with the extensions. The employers had reservations against extension of the collective agreements without consent of employers concerned and the trade unionists considered the existing regulation for extensions ambiguous and sometimes even confusing. More information about the study is available on the web site of the IVPR [http://www.sspr.gov.sk/IVPR/images/pdf/bulletin_04_2009.pdf](http://www.sspr.gov.sk/IVPR/images/pdf/bulletin_04_2009.pdf)

During the economic crisis, collective bargaining at sectoral as well as company levels continued according the same rules. It played important role in solving problems emerging in employment during the economic downturn and usually attempted to maintain employment in companies hit by the economic downturn. These attempts usually included wage moderation and adoption of specific measures concerning employment. Management in companies usually decided to cut production costs through lower labour costs, e.g. by reduction of planned wage increases, cutting usual employee benefits and awards. In companies in the mechanical engineering sector, including the automotive industry, and in the electric industry, the application of flexikonto and short-time working were most frequently used tools to maintain employment.

The flexibility of collective bargaining was a matter of discussion between social partners but its importance increased during the economic crisis in particular. According the legislation, any issue in which social partners are interested in and is not in contradiction with the law, can be subject of collective bargaining and can be agreed in collective agreements. According to trade unions, the Labour Code provides enough manoeuvring space for representatives of employers in negotiations and protects employees’ rights, too. Several employers do not consider the collective bargaining enough flexible and during the economic crisis in particular. Multi-employer collective agreements may cover also companies where no local level collective agreement was signed. Social partners had and still have different opinion about the extensions of multi-employer collective agreements. Trade unions consider extensions important in terms of creation of equal employment conditions and wages in comparable companies. Extensions also can play important role against social dumping in competing companies and can contribute to the improvement of working conditions and wages in companies, which are not covered by company collective agreements. The minimum or maximum levels of employment conditions and wages agreed in multi-employer collective agreements must be respected in single-employer collective agreements concluded at the enterprise level. Only more favourable working conditions and wages can be agreed in company collective agreements. Representatives of employers criticised the extension without consent of the employer concerned, which was allowed by amendments to Collective bargaining act in 2007 (nevertheless, this mechanism was also applied from 1991 to 2004). Employers criticised that existing rules force employers to accept provisions agreed in multi-employer collective agreements signed by employer association which does not cover/represent them. Employers argued that such “unfair” extensions reduce the flexibility of collective bargaining because do not consider actual situation in the respective company and decrease its competitiveness as well. These disagreements resulted in a long-lasting dispute regarding rules for the extensions before the economic crisis as well as during it. The dispute had certain impact on the number of extensions. Only two extensions were in 2007-2008 and
five collective agreements were extended in 2009. Despite of new extension rules valid from January 2010, actually no extension was implemented in that year.

According to some employers, existing labour legislation made barriers to higher flexibility of collective bargaining during the crisis in particular. In some countries, due to economic hardship temporary derogations to deviate from norms set by the labour legislation or agreed in multi-employer collective agreements were allowed. Such derogations can help to avoid company bankruptcy and save jobs or even increase the competitiveness of companies suffering from the recession. In Slovakia, existing labour legislation does not allow negative derogations from standards set by the labour legislation and provisions agreed in collective agreements. In some specified cases, the Labour Code requires the management to agree on implementation of atypical working time patterns with trade unions what allows flexible negotiations. For instance, it can be suitable for the management to negotiate flexibly on weekly or daily working time but the Labour Code allows this only in favour of the employees.

5.2.2 Collective bargaining in sectors

To get information about collective bargaining before and during the crisis and at the present recovery, representatives of sectoral trade unions were asked for opinion. Representatives of 11 out of 28 sectoral trade union associations affiliated to the KOZ SR provided their view on relationships with representatives of employers in collective bargaining. Those 11 sectoral trade union associations actually conclude multi-employer collective agreements which cover employees in 17 sectors or branches. The list of trade union associations participating in this survey is available in Annex 1. Representatives of trade union associations assessed the relationship with representatives of their partner employer in collective bargaining. The assessment concerned collective bargaining related to periods:

- before the economic crisis (2007 and earlier)
- during the crisis (2008 - 2009)
- at the present recovery (2010 - 2011).

Relationships between social partners in sectoral collective bargaining trade unions were assessed by following grades: 4 very good, 3 good, 2 unsatisfactory, 1 bad.

According to outcomes of the survey, relationships with representatives of sectoral employer organisations before the crisis were assessed as very good by four unions and eight unions considered them good. The average score of all trade union associations related to the state before the crisis was 3.3. The survey indicated that relationships between social partners in collective bargaining slightly worsened during the crisis. Four unions assessed relationships as very good, six unions considered them good and two unions assessed them as unsatisfactory. One union gave the grade of bad relationships. The average score related to the crisis period decreased to 3. According to trade unions, relationships between social partners in collective bargaining worsened at the present recovery. Only two unions consider the relationships very good, six unions consider them good, three as unsatisfactory, one union gave the grade of unsatisfactory/bad and one of bad relationships. The average score related to the present recovery was 2.7. In two sectors, relationships were assessed as very good during the whole examined period. It was the case of urban mass transport and financial intermediation and insurance sectors. As good during the whole period were
relationships assessed by trade unions in agriculture, wood industry, forestry and water management and in the mining, geology and oil industry. Table 6 provides the view of individual trade union associations on collective bargaining in respective sectors and branches.

Table 6 Collective bargaining in trade unions’ view

<table>
<thead>
<tr>
<th>Sector trade union</th>
<th>Relationships between social partners in collective bargaining (Score 4-1)</th>
<th>Before crisis</th>
<th>During crisis</th>
<th>At present</th>
</tr>
</thead>
<tbody>
<tr>
<td>OZ Kovo</td>
<td></td>
<td>3</td>
<td>2</td>
<td>1/2</td>
</tr>
<tr>
<td>IOZ Construction</td>
<td></td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>IOZ Civil aviation</td>
<td></td>
<td>Does not exist</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>IOZ Urban mass transport</td>
<td></td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>OZ BGNP</td>
<td></td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>OZ PP SR</td>
<td></td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>OZ DLV</td>
<td></td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>OZ PVD</td>
<td></td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>OZ PaL</td>
<td></td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>SOZ PT*</td>
<td></td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>SOZ SP</td>
<td></td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>ZOJES</td>
<td></td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>OZ PPaP</td>
<td></td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Average score</strong></td>
<td></td>
<td><strong>3.3</strong></td>
<td><strong>3</strong></td>
<td><strong>2.7</strong></td>
</tr>
</tbody>
</table>

Note: Full names of unions are available in Annex 1
* Concerns telecommunications

Note: The opinion of OZ Kovo regarding the present stage also took into account recent changes in the extension procedures and present disputes regarding amendments to the Labour Code.

Representatives of these sectoral trade union associations also expressed their view on the role of collective bargaining in balanced recovery. According to trade unions, collective bargaining was primarily aimed at maintaining employment at the expense of wage increases in enterprises suffering from the economic downturn. Collective bargaining, mainly at the company level, played significant role in implementation of following measures:

- implementation of flexible forms of work organisation and working time arrangement; short-time working and implementation of flexikonto dominated among them,
- provision of redundancy pay for dismissed employees over the standards laid down by the Labour Code,
- settlement of emerging labour conflicts and prevention of potential strikes in some companies,
- consideration of social/family status of individual redundant employees at the decision making about concrete dismissals,
- maintaining pre-crisis level of wages or even moderate increase of wages.

Despite of criticism made by employers regarding multi-employer collective agreements, significant changes in the range of sectoral collective bargaining did not take place in relation to the economic crisis. According to the MPSVR SR, the number of multi-employer collective
agreements deposited at the Ministry only slightly decreased in 2008 -2010. This minor decrease can not be unanimously attributed to the impact of the economic crisis because multi-employer collective agreements are usually concluded for two or even three years and only newly concluded collective agreements, including their supplements are registered at the Ministry. Therefore, the number of annually deposited agreements at the Ministry can objectively vary. Similarly ISPP\textsuperscript{13} data indicate that the share of enterprises with concluded single-employer collective agreements only slightly decreased in 2008-2010. Table 7 provides concrete figures about the spread of collective agreements.

Table 7 Spread of collective agreements

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of registered</td>
<td>56</td>
<td>37</td>
<td>37</td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td>multi-employer agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of companies with</td>
<td>42.2</td>
<td>36.8</td>
<td>35.8</td>
<td>34.0</td>
<td>34.6</td>
</tr>
<tr>
<td>collective agreements in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISPP sample %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: MPSVR SR and ISPP Trexima, a.s. Bratislava

Economic crisis had impact on wages and working hours agreed in collective agreements. According to ISPP reports, nominal wages agreed in collective agreements concluded in surveyed companies decreased. Table 8 shows the average increase of nominal wages agreed in company collective agreements in the whole sample.

Table 8 Wage increases agreed in company collective agreements

<table>
<thead>
<tr>
<th>Average increases %</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.4</td>
<td>6.3</td>
<td>5.4</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: ISPP Trexima, a.s. Bratislava

Wage increases were usually also agreed in sectoral multi-employer collective agreements. According to these collective agreements even higher wage increases can be agreed in company collective agreements. Table 9 provides information about average wage increases agreed in company collective agreements in selected sectors.

Table 9 Average nominal wage increases in % in selected sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanical engineering and electric industries</td>
<td>6.5</td>
<td>7.1</td>
<td>5.0</td>
<td>3.5*</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>5.2</td>
<td>4.2</td>
<td>4.1</td>
<td>3.1**</td>
</tr>
<tr>
<td>Construction</td>
<td>6.8</td>
<td>6.5</td>
<td>5.2</td>
<td>3.7***</td>
</tr>
<tr>
<td>Commerce and tourism</td>
<td>4.9</td>
<td>5.7</td>
<td>5.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Public administration</td>
<td>6.5</td>
<td>4.4</td>
<td>5.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Health and social care</td>
<td>9.5</td>
<td>8.0</td>
<td>8.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Education</td>
<td>6.3</td>
<td>4.6</td>
<td>6.7</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: ISPP

* Including metallurgy, ** Including energy sector,

\textsuperscript{13} ISPP reports are published by Trexima, a.s. Bratislava. Reports are based on a sample survey in enterprises which covers 30% - 40% of employed in the economy in the respective year of survey.
Changes took place in collectively agreed working time in companies, too. According to ISPP, the average collectively agreed weekly working time in surveyed companies did not change much. Some changes took place in collective agreements concluded in sectors. Table 10 provides more details about average weekly working time agreed in company collective agreements in selected sectors covered by ISPP survey.

Table 10 Average collectively agreed weekly working time in sectors

<table>
<thead>
<tr>
<th>In the whole sample</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Companies using flexikonto</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanical engineering and electric industries</td>
<td>37.6</td>
<td>37.2</td>
<td>37.9</td>
<td>38*</td>
<td>15.5%</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>37.9</td>
<td>36.7</td>
<td>37.6</td>
<td>37.8**</td>
<td>6.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>39.1</td>
<td>38.1</td>
<td>39.0***</td>
<td>38.7**</td>
<td>5.2%</td>
</tr>
<tr>
<td>Commerce and tourism</td>
<td>39.3</td>
<td>39.5</td>
<td>39.5</td>
<td>39.5</td>
<td>4.9%</td>
</tr>
<tr>
<td>Public administration</td>
<td>37.8</td>
<td>37.4</td>
<td>37.7</td>
<td>37.7</td>
<td>2.2%</td>
</tr>
<tr>
<td>Health and social care</td>
<td>38.3</td>
<td>38.3</td>
<td>38.5</td>
<td>38.6</td>
<td>1.8%</td>
</tr>
<tr>
<td>Education</td>
<td>37.4</td>
<td>36.3</td>
<td>37.4</td>
<td>37.6</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Source: ISPP
Notes: * Including metallurgy, **Including energy sector, ***Including municipal services

5.2.3 Multi-employer collective agreements in selected sectors

The economic crisis mainly impacted the industry, which is much export oriented in Slovakia. About 130,000 jobs were cancelled during the economic crisis in 2009-2010. More than 100,000 of them concerned the industry, which significantly suffered from the decline in orders from customers. Within the industry, mainly mechanical engineering and automotive industries suffered from the economic downturn in 2008-2009. In order to provide a more detail picture about collective bargaining in the industry, multi-employer collective agreements concluded in the mechanical engineering, electric and chemical industries were reviewed. Attention was put on the period of years 2007-2010. For comparison purpose also multi-employer collective agreements concluded in civil and public services for 2008-2010 were included, too. Multi-employer collective agreements concluded in following sectors were reviewed in this study:

- Mechanical engineering - concluded between OZ Kovo and Federation of Mechanical Engineering of the Slovak Republic (Zväz strojárskeho priemyslu Slovenskej republiky, ZSP SR) for 2008 -2009 and 2010 -2011, including supplements.
- Chemical industry – concluded between OZ Chémia and Association of Chemical and Pharmaceutical Industries of the Slovak Republic (Zväz chemického a farmaceutického priemyslu Slovenskej republiky, ZCHFP SR) for 2007 - 2008 and 2009 -2011, including supplements.

• Civil service - concluded between representatives of the government and municipalities and respective trade union associations in the civil service sector for 2008, 2009 and 2010.

Collective agreements for 2008 and for 2008 -2009 were concluded in the end of 2007 and in the beginning of 2008 respectively. It implies that negotiations took place at the time when there was no sign about the economic crisis in Slovakia.

Collective agreements concluded for the mechanical engineering, electric and chemical industries consisted of following main parts/sections:

1. Relationships between the company management and trade unions: *conditions for trade union activities, protection of trade union representatives, rules and issues concerning provision of information, consultations and co-determination, rights to control OSH issues.*

2. Employment policy in the company: *principles of employment policy, forms of employment contracts, termination of employment, redundancy payments, retirement allowance.*

3. Working time: *weekly working time, rules for implementation of flexible forms of working time patterns.*

4. Paid holiday: *minimum standards, extra paid time-offs for single parents taking care of young children and in some other specific cases, e.g. death of parents, spouse, child.*

5. Social field: *health care and catering provided by the employer, contribution to employees’ supplementary pension fund, creation of company social fund.*

6. Remuneration: wages, bonuses for overtime, working during bank holidays, night work, working in hindered working conditions.

7. Occupational safety and health issues.

8. Dealing with complaints and labour conflicts: *rules and procedures applied by the management and trade union in these cases.*

In relation to the economic crisis, particularly following provisions were agreed in these collective agreements:

• joint trade union/management activities during the crisis,

• weekly or daily working time,

• agreed wage levels or increases,

• particular measures applied at dismissals of redundant employees,
• minimum redundancy payment for dismissed employees,
• minimum retirement allowance for retired employees.

Some multi-employer collective agreements also dealt with employment terms of non-standard workers.

Multi-employer collective agreements concluded in the mechanical engineering and electrical industries for 2008-2009 and 2010-2011 included specific provision "Dealing with employment during the economic crisis and after its end". These provisions responded to downturn in labour demand in companies and proposed implementation of specific measures to decrease redundancies in companies hit by the crisis. Boxes below provide more information about crisis-related provisions agreed in Supplement to multi-employer collective agreement in the mechanical engineering sector for 2009 and in Collective agreement concluded for 2010-2011.

Example 3
In May 2009, following provisions were added to the collective agreement:

Joint procedures during the economic crisis stated that contracting parties will jointly demand proper changes in the legislation, which would reduce non-productive costs of employers and solve actual problems related to economic crisis in particular. For instance:

- legal changes allowing preferably internal restructuring of companies instead of their bankruptcy,
- measures to eliminate impacts of companies’ insolvency and “secondary” insolvency in particular,
- support to legal changes supporting bipartite social dialogue, including participation of the state in covering its operational costs,

Working time arrangement during the economic crisis stated that the trade unions will accept the right of employers to solve the impact of economic crisis resulting in drops in production volume by implementation of measures reducing normal working time. Related measures concern implementation of shorter weekly or daily working time, paid leave for temporary redundant employees at least at 60% of their usual wages and implementation of flexikonto. In addition, details concerning implementation of flexikonto were specified there. For instance, the timeline of implementation from 1 March 2009 to 31 December 2010, minimum payments at the level of basic/tariff wages. (see also Example 1 and 2)

Example 4
During the economic crisis, new multi-employer collective agreement was concluded for 2010-2011. It included a more comprehensive crisis-related provisions. In addition to provisions described in the Example 3 next provisions were included in this sectoral collective agreement. For instance, the section "Solving employment during the crisis and after its end" includes provisions related to:
Long-term decline in labour demand at the employer, which will be solved by following specific measures:

- limitation or cancelling of contracts with external subcontractors, which performed activities previously performed by core employees at the employer,

- limitation or cancelling of contracts with self-employers, who worked previously for the employer as dependant workers,

- termination of expired fixed-term employment contracts without their prolongation,

- termination of employment contracts with employees who can be long-term redundant in the company. Specific provisions concerning dismissal of redundant employees are applied to them.

In agreement with trade unions or if legislation requires, with an individual employee, employers will preferably:

- cancel working during weekends and bank holidays and overtime work,

- implement flexible (unequally scheduled) working time patterns based on utilisation of annual working time account of individual employees,

- implement short-time working and flexikonto, in particular.

Crisis-related provisions agreed in sectoral multi-employer collective agreements can be developed in single-employer company collective agreements. Wage moderation, dealing with dismissals, redundancy payments and implementation of flexible working time patterns to maintain employment were provisions and measures most frequently agreed in company collective agreements.

Reviewed multi-employer collective agreements confirmed wage moderation in covered sectors. Nevertheless, some wage increases were agreed also during the crisis. For instance, in multi-employer collective agreements concluded for the mechanical engineering 7.5% and 3.0% increase of wage tariffs were agreed for 2008 and 2009 respectively. For 2010 a 3.2% increase was agreed. For the electric industry a 2.4% increase of wage tariffs was agreed for 2010. According to the collective agreements, at least such or higher increases can be agreed in single-employer collective agreements in companies. In multi-employer collective agreement concluded for 2007-2008 in the chemical industry 3-4% increase of wage costs per employee was agreed. This figure was, however, reduced to 2% in agreement for 2009-2011. More over, supplement to the collective agreement for 2011 reduces the wage increase to 1% in 10 companies and sets zero increase in the rest of companies covered by the agreement. Wage moderation took place also in the public sector collective bargaining. In multi-employer collective agreement for public service employees following increases of wage tariffs were agreed: 4% in 2008, 5-7% in 2009 and 1% in 2010. For employees in the civil service it was 3%, 4% and 1% increase for the same period. These examples indicate that multi-employer collective agreements regulated wage increases in these sectors before as well as during the recession.

To illustrate negotiations between company managements and local trade union organisation in enterprises impacted by the economic downturn, the example of U.S. Steel Company is
Example 5

U.S. Steel Košice, s.r.o is the biggest steel company in Slovakia. It became a part of United States Steel Corporation in 2000. Together with its daughter companies, employed about 13,000 employees in 2009-10. It produces different steel products including steel coils for the automotive industry. The automotive industry makes significant part of the manufacturing industry in Slovakia as well as the country’s export. In 2009, a significant decline took place in the automotive industry and the Company had to deal with emerging redundancies. The management negotiated with local trade union organisations of Trade Union Association Metalurg (OZ Metalurg), Metal Trade Union Association (OZ Kovo) and Independent Slovak Christian Trade Unions (NKOS) about solving emerging redundancies in the company and agreed on implementation of four days full-paid working week. On the fifth day, employees were not working but received 60% of their wages. This pattern was applied from January to June 2009. The same working time pattern but with 70% wage compensation was applied in December. The production in the Company flexible responded to orders from customers during the whole year.

Company management also intended to reduce the administrative staff by about 400 white collar workers till August 2009. Management encouraged redundant employees to leave the company voluntarily. This approach may reduce the company costs and administration of problems related to dismissals. The company management agreed with local trade unions on supplement to the Collective Agreement for 2009. According to the agreement, each white collar worker who worked for the company for more than 5 years could apply for the voluntary leave. An employee who left the company voluntarily received redundancy payment amounting up to 15-month average wage (standard redundancy pay is two or three-months wage depending on the number of years in service). According to the president of OZ Metalurg Board, Mikuláš Hintoš, the scheme was open to any employee of the company (Daily newspaper Pravda, 2 July 2009).

To obtain opinion of both negotiating partners on the role of collective bargaining in the mechanical engineering sector, which was significantly impacted by the crisis, face-to-face interviews were conducted with the Vice-president and main negotiator of the Federation of Mechanical Engineering of the Slovak republic, Mr. Juraj Borgula, and the Vice-president and main negotiator of OZ Kovo, Mr. Anton Mifka. According to the main negotiators, collective bargaining played important role in balanced recovery in the sector. Their opinions on the role of collective bargaining in the sector are illustrated in below boxes.

| The view of the main negotiator of the Federation of Mechanical Engineering |
| Relationships and cooperation between social partners |
| **Details** | **Relationships** |
| Relationships* |
**Before the crisis:** Above standard social dialogue. It always included successful sectoral collective bargaining for conclusion of multi-employer collective agreements in the sector.

**During the crisis:** Quick comprehension of mutual positions and views of social partners on emerging problems. In November 2009, particular seminar on solving impacts of the crisis through social dialogue was organised.

**At present recovery:** Crisis is not over yet. Some impatience of trade unions is observed during the recovery. Unions are more unyielding in their wage demands than during the crisis.

### Contribution of collective bargaining (CB) to dealing with particular issues during the crisis

<table>
<thead>
<tr>
<th>The issue</th>
<th>Commentary</th>
<th>Contribution**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintaining employment via:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- more flexible forms of employment</td>
<td>Forms of employment are defined by the Labour Code and no deviations were possible via CB. Mainly implementation of “flexikonto” was broadly agreed in collective agreements.</td>
<td><strong>Significant</strong></td>
</tr>
<tr>
<td>- flexible organisation of working time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- reduction of workers working externally for the company (e.g. temporary agency workers, self-employed)</td>
<td>Was agreed in several single-employer company collective agreements, e.g. in PPS Detva Group Company, a.s. Core workers were maintained.</td>
<td></td>
</tr>
<tr>
<td>- training and skill development</td>
<td>Was considered as the most effective measure to prevent the crisis and was supported by provisions in the most of collective agreements.</td>
<td></td>
</tr>
<tr>
<td><strong>Increasing or maintaining wage levels</strong></td>
<td>It was a dominating issue of collective bargaining. In the initial stage of the crisis, two basic solutions were agreed:</td>
<td><strong>Significant</strong></td>
</tr>
<tr>
<td></td>
<td>1. Slight increase of tariffs of basic wages but total wages usually decreased in most cases. For instance, it was in multi-employer collective agreement and single-employer agreements in KIA Motors and Volkswagen Slovakia companies.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Aimed wage decrease in order to maintain employment in the company, e.g. in ZTS</td>
<td></td>
</tr>
</tbody>
</table>
Námestovo Company.

| Settlement of labour conflicts and strikes | There was one attempt of wage strike in Delphi Senica Company in 2009. It was, however, resolved through collective bargaining. | Very significant |
| Consideration of social status of redundant employees | Social status of redundant employees was taken into account in collective agreements. | Significant |

The view of the main negotiator of the OZ Kovo

Relationships and cooperation between social partners

<table>
<thead>
<tr>
<th>Details</th>
<th>Relationships*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before the crisis:</strong> Good relationships with representatives of employers who tried to understand the demands of unions and looked for acceptable agreements. Multi-employer collective agreement was always concluded.</td>
<td>Good</td>
</tr>
<tr>
<td><strong>During the crisis:</strong> Relations actually did not worsen in sectoral collective bargaining but they did in company collective bargaining where some employers misused the crisis for pushing through their long-term planned measures in reduction of employment and implementation of changes in organisation of work and working time.</td>
<td>Unsatisfactory</td>
</tr>
<tr>
<td><strong>At present recovery:</strong> Relationships worsened. Employers utilise recent changes in the legislation to block extension of collective agreements. They also are waiting for assumed changes in the labour Code and prolong negotiations for new collective agreements. Some employers try to weaken the position of trade unions.</td>
<td>Unsatisfactory/Bad</td>
</tr>
</tbody>
</table>

Contribution of collective bargaining (CB) for solving particular issues during the crisis

<table>
<thead>
<tr>
<th>The issue</th>
<th>Commentary</th>
<th>Contribution**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining employment via: - more flexible forms of employment - flexible organisation of working time</td>
<td>Trade unions agreed on implementation of flexikonto. In some cases also agreed on short-time working and reduction of shift work and weekly working time was applied in particular.</td>
<td>Significant</td>
</tr>
</tbody>
</table>
- reduction of workers working externally for the company (e.g. temporary agency workers, self-employed)
- training and skill development

In the first stage of crisis, the employment of temporary agency workers was first terminated in enterprises.

It was used in some companies suffering from the recession. Some employees in multinationals attended internships in mother companies aimed at skill development in new technologies and working procedures.

Increasing or maintaining wage levels

CB contributed to moderate wage increase. Increases were lower than previously but they covered at least the inflation. Nevertheless, reductions in working time caused the reduction of employees’ income.

Settlement of labour conflicts and strikes

Strike alerts related to collective bargaining emerged in some companies. Nevertheless, disputes were settled through negotiations and collective agreements were concluded there. No strike took place in the sector.

Consideration of social status of redundant employees

Employment of spouses and taking care for child by sole parent were considered at the decision making on dismissals of concrete employees.

Notes: Relationships were assessed by scale*: Very good, Good, Unsatisfactory, Bad.

The contribution of collective bargaining was assessed by scale**: Very significant, Significant, Not significant, None.

6. Findings: the role of industrial relations institutions in mitigating the effects of the crisis and promoting balanced recovery

Economic background

The Slovak Government adopted more than 60 different measures to alleviate the impact of the economic crises. Among the measures, which entered into effect by 1 March 2009 there were also specific measures aimed at maintaining employment during the economic downturn. Among them the state support through allowance to employers’ compulsory contributions to insurance funds to which retained redundant employees instead of dismissing them and implementation of flexible schedules of working time (mainly flexikonto and short-time working) played important role in this. Implementation of these measures maintained employment in several companies, particularly in the automotive industry. According to the ÚPSVAR speaker, Mr. Peter Zeman, it is realistic to assume that
implementation of these measures assisted to retain up to 45,000 jobs. The state has allocated approximately 35.3 million euro (approximately 1 billion SKK) for implementation of this measure till the end of 2010. According to the UPSVAR, the state allowance was used by 142 employers so far. Out of 37,000 redundant employees originally reported for mass dismissals only 9,147 employees were really dismissed till now. (Daily newspaper SME, 15 July 2009. Prepúšťajú viac po „kusoch“).

In 2010, negative impacts of the crisis on the economy has been weakened and the economy step-by-step recovered. Mainly the industrial production significantly increased. According to ŠÚ SR, in November 2010, the production of industry increased by almost 19% and employment increased by 2% in comparison with November 2009. In the 4thQ of 2010 GDP in Slovakia grew by 4.5% but employment increased only by 0.4%. This trend continued also in 2011. The size and structure of company restructuring changed, too. According to ERM fact sheets, in total 38 cases were reported in 2010. (The number of recorded cases in 2009 was 76). About 71% of recorded cases concerned business expansion followed by creation of new jobs and only about 18% of monitored cases related to internal restructuring. (In 2009, business expansion made about 28% share and internal restructuring made almost 40%). The number of recorded bankruptcies significantly decreased and made about 10% share. (In 2009, bankruptcies made 24% share). These figures indicate a recovery of companies. Organisational changes and cuts in workforce taking place in 2008-2009 did not result in significant collective labour disputes.

Despite of these positive changes and a GDP growth by more than 4% in 2010, according to ŠÚ SR, employment decreased in average by about 1.1% in 1st - 4th Q 2010. Average nominal wages increased by 3.2% and real wages by 2.2%. The unemployment rate increased from 12.1% in the end of 2009 to 14.5% in 3rd Q of 2010. Companies in mechanical engineering and automotive industries, which were mainly hit by the economic downturn, reached in 2010 a volume of production comparable with pre-crisis level. Positive trends particularly in the car production continue in 2011. The number of employees employed in the automotive industry is less by about 5% than was employed in the sector in 2008. It implies that employers learned from the economic crisis to perform their business with fewer employees during the present stage of recovery. According to ŠÚ SR, GDP increased by 1.8% and average real monthly wages increased by about 4.4% in the industry in 2010. Nevertheless, employment in the industry decreased by 3.8%. In construction, GDP decreased by 0.5% but employment decreased by 2.6% and real wages increased by 2.6%. In retail, hotels and restaurants and transport, GDP increased by 5.7%. Employment decreased by about 5% and real wages increased by more than 2.5% there. This implies that the link between wages and productivity was strengthened during recovery in 2010.

The role of industrial relations institutions and outcomes of collective bargaining

Industrial relations system as such was not much impacted by the economic crisis in 2008-2010. There were no important changes in organisation of trade unions and employers. Decline in the trade union density continued but it can not be unanimously attributed to the economic crisis. Merger of sectoral trade union associations affiliated to the KOZ SR accelerated in 2008-2010 and the number of sectoral trade union associations in the KOZ SR decreased from 31 in 2008 to 28 in 2010. Nevertheless, the number of sectoral multi-
employer collective agreements registered at the MPSVR SR did not decline significantly in this period. ISPP survey indicates that the share of companies with concluded company collective agreements in the sample was almost the same in this period. Social partners were involved in tripartite consultations about specific packages of anti-crisis measures adopted by the government in 2008-2009. To deal with impacts of the economic crisis on the economy and citizens, the government established a multi-partite consultation body – Council for the Economic Crisis which dealt with actual situation and implementation of adopted anti-crisis measures in practice. These consultations also made important contribution to balanced recovery in 2009.

KOZ SR concluded on behalf of member trade union associations the Memorandum on Cooperation with the government in which trade unions pledged to:

- use social dialogue at all levels of management as a decisive tool for retaining the social peace, during the economic crises and
- bargain on the increase of real wages and salaries taking into account the level of actual labour productivity.

Sectoral multi-employer collective agreements as well as single-employer company collective agreements indicate that collective bargaining played certain role in overcoming the economic crisis in companies concerned by the crisis and approaching economic recovery in balanced way. Collective bargaining played important role in wage moderation and implementation of specific measures aimed at maintaining employment, namely STW and flexikonoto, in particular. According to the ÚPSVAR data, the number of actually dismissed employees was lower by about 25% than was originally announced by companies planning mass dismissals. Though the retain on employment in enterprises can not be considered as an outcome only of the collective bargaining, according to trade unions collective bargaining certainly played important role in this. Representatives of sectoral trade union associations listed in Annex 1 expressed their view on the role of collective bargaining in balanced recovery. According to them, maintaining employment in companies suffering from the recession at the expense of wage increases was their main goal taken into account at collective bargaining. According to social partners, collective bargaining also played important role in settlement of potential collective disputes. According to the MPSVR SR, all registered collective labour disputes related to collective bargaining were successfully settled and none of them resulted in strike in 2009, when the impact of the crisis was the strongest.

Reviewed multi-employer collective agreements in selected sectors showed that collective bargaining played significant role in wage moderation during the crisis in 2009-2010. Average nominal wage increases collectively agreed in the economy as well as in individual sectors were declining from 2007 to 2010. At the same time, collective bargaining during the economic crisis contributed to successful management of redundancies in companies suffering from the economic downturn in socially responsible way. For instance, particular provisions dealing with joint activities of management and trade unions in maintaining employment were added to collective agreements in most of sectors, mainly in the industry. Specific provisions related to dismissal of redundant employees were agreed in collective agreements. Among them, redundancy payments higher than minimum standards laid down by the Labour Code, we agreed in some collective agreements. According to ISPP, the number of companies where higher redundancy payment was agreed in collective agreements increased from 2007 to 2010. For instance, in 2007 it was agreed in 889 companies, in 2008 in 998, in 2009 in 955 and in 2010 in 1,187 companies. Usually 2-3 month redundancy payments over the statutory minimum were agreed in collective agreements. These figures indicate that the number of companies with agreed higher redundancy payment temporarily decreased in 2009 when companies were mainly hit by the economic downturn. The increase in the amount of redundancy payments agreed in
collective agreements concluded for 2010 may indicate improved financial situation in companies during the recovery. In the light of reviewed multi-employer collective agreements and views of representatives of sectoral trade union associations affiliated to KOZ SR the role of collective agreement during the economic crisis can be summed up as follows:

1. Sectoral collective bargaining before the economic crisis was assessed by trade union associations as very good – good. During the crisis as well as at the present recovery, the assessments of trade unions indicate slight worsening of relationships between trade unions and employer representatives in collective bargaining. Relations were assessed as good – unsatisfactory. Worsening was indicated, e.g. by OZ Kovo, OZ PaL and SOZ SP.

2. Several trade unions indicated stabile relationships with representatives of employers in collective bargaining from pre-crisis period till now. Stabile relationships were reported by IOZ Urban mass transport, OZ PVD, OZ PP, OZ DLV, OZ BGNP and OZ PPaP.

3. According to representatives of sectoral trade union associations, negotiations on implementation of flexible working time schedules, dealing with dismissals, including redundancy payments and moderate wage increases made the most significant contributions to balanced recovery.

4. Multi-employer collective agreements concluded for the mechanical engineering provide examples of specific provisions agreed to maintain employment during the economic crisis. These provisions were particularly important for enterprises mainly impacted by the economic downturn in 2009. They included following measures:

   • reduction of temporary agency workers working in the company,
   • reduction of employees working for the company externally upon specific agreements,
   • in time termination of employment contracts for fixed-time,
   • reduction or termination of contracts with external subcontractors, including self-employers working for the company.

5. Regulation of dismissals of employees in enterprises was particularly important during the economic crisis when many companies reported redundancies and needed to reduce their work force through mass dismissals. For instance, collective agreement in the mechanical engineering included in a list of employee categories who would not be dismissed, if possible:

   • employees of pre-retirement age,
   • employees have working for the company at least 30 years,
   • husbands/parents taking care of children of age up to 15 years,
   • employees in pure economic situation or with health problems.
6. Despite of the recession, moderate wage increases for 2009 and 2010 were agreed in multi-employer collective agreements. For instance, for the mechanical engineering industry 3.0% increase of wage tariffs was agreed for 2009 and 3.2% increase for 2010. That was by about 50% less than was agreed for 2008, i.e. before the crisis. Similar wage moderation was agreed in the chemical and electric industries. According to the collective agreements, at least such or higher increases can be agreed in single-employer collective agreements in companies. It means that multi-employer collective agreements regulated wage increases in these sectors.

7. Wage moderation in the public sector took place later than in the industry. In multi-employer collective agreement for public service employees following increases of wage tariffs were agreed: 4% in 2008, 5-7% in 2009 and 1% in 2010. In the civil service, it was 3%, 4% and 1% increase for the same period.

8. According to ISPP data as well as reviewed multi-employer collective agreements, weekly working time was regulated in agreements and 37.5 hours were more or less equally agreed. There were no significant changes regarding weekly working time agreed before and during the economic crisis and in 2010. It indicates, that collective agreements did not respond to the crisis by changes in the regular weekly working time.

9. Changes took place in implementation of flexible working time patterns during the economic crisis. Implementation of these measures was agreed with representatives of employees and was included in collective agreements. For instance, in collective agreement agreed in the mechanical engineering sector, which also covers the automotive industry, specific provisions on joint activities of management and trade unions during the economic crisis were added to collective agreements in form of supplements to agreements for 2008-2009 and 2010-2011. In agreement concluded for the electric industry such provision was added in supplement to collective agreement concluded for 2010-2011. Within the framework of provisions on joint activities, implementation of specific anti-crisis measures was agreed, too. This concerned mainly implementation of flexikonto and short-time working.

10. According to representatives of trade unions, trade unions usually succeeded in negotiations on higher than standard redundancy pay for dismissed employees. Higher redundancy payments used to be agreed, however, in company collective agreements. With the exception of multi-employer collective agreement concluded for employees working in the public services, no increase of redundancy payment over the standards set by the Labour Code was agreed in reviewed sectoral multi-employer collective agreements. In agreement for public service employees, additional 1 month redundancy payment was agreed in each year.
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**Annex 1**

Below listed trade union associations affiliated to KOZ SR provided their view on the role of collective bargaining in balanced recovery in Slovakia.

OZ Kovo – Metal Trade Union Association (in the private sector it concludes multi-employer collective agreements for mechanical engineering, electric industry, metallurgy, bus transport and housing economy)

IOZ – Integrovaný Odborový zväz (concludes multi-employer collective agreements in construction, civil aviation and urban mass transport sectors)

OZ BGNP – Trade Union Association of Mining, Geology and the Oil Industry

OZPVD – Trade Union Association of Water Transport

SOZPT – Slovak Trade Union Association of Post Offices and Telecommunications

OZPaL – Trade Union Association of Post Offices and Logistic

SOZSP – Slovak Trade Union Association of Glass Industry

OZPP - Trade Union Association of Agriculture Workers

OZDLV - Trade Union Association of Wood, Forestry and Water Management

ZOJES – Association of Trade Unions in Nuclear Energy of Slovakia

OZPPaP - Trade Union Association of Financial Intermediation and Insurance Workers
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Act No. 5/2004 Coll. on employment services and on changes and supplement of some laws, as amended


Situačná správa o sociálno-ekonomických dopadoch globálnej finančnej a hospodárskej krízy na vývoj hospodárstva SR v roku 2009

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