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## Social dialogue in the automotive industry

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## SOCIAL DIALOGUE IN THE AUTOMOTIVE INDUSTRY

### Summary

Social dialogue includes all types of negotiation, consultation or simply exchange of information between social partners. The European social dialogue is now a component of the European social model. The legislative basis of Social Dialogue in Slovakia is Constitution of the Slovak Republic and Labour Code which are discussed in the paper.

### DIALOG SPOŁECZNY W PRZEMYSŁE MOTORYZACYJNYM

#### Streszczenie

Dialog społeczny w przemyśle obejmuje wszystkie rodzaje negocjacji, konsultacji lub po prostu wymiany informacji między partnerami społecznymi. Europejski dialog społeczny jest teraz składnikiem europejskiego modelu społecznego. Podstawą prawną dialogu społecznego w Słowacji jest Konstytucja Republiki Słowackiej i Kodeks Pracy, które zostały omówione w artykule.

### Introduction

One of the most significant problems of the current market economy is unemployment. An effort to create new job opportunities as well as to lower the heaviness of unemployment is the serious economic, social and political issue<sup>1</sup>.

Social dialogue belongs to key elements of democratic societies and states. It enables representatives of different groups in the society to consult and discuss relevant issues with parties concerned, e.g. with the government, representatives of employers and employees, municipalities, civic associations<sup>2</sup>.

Social dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments,

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<sup>1</sup> E. Dirgová, *Nezamestnanosť ako fenomén modernej spoločnosti*, In: *Migrácia-chudoba- nezamestnanosť a ich sociálne aspekty*, Košice, 2009, p. 95.

<sup>2</sup> L. Cziria, *Social dialogue in the Slovak Republic*, In: [www.cerm.com.mk/e\\_news/Paper\\_Social%20Dialogue.pdf](http://www.cerm.com.mk/e_news/Paper_Social%20Dialogue.pdf)

employers and workers, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers' organisations), with or without indirect government involvement<sup>3</sup>.

Conversation can be informal or institutionalised, and often it is a combination of the two. It can take place at the national, regional or at enterprise level<sup>4</sup>. It can be inter-professional, sectoral or a combination of all of these.

### European social dialogue

Social dialogue is a fundamental component of the European Social Model. Commission President Jacques Delors launched in 1985 a bipartite social dialogue, called the European social dialogue. The European social dialogue is now a component of the European social model, with a clearly defined basis in the EU Treaty.

European social dialogue refers to the discussions, consultations, negotiations and joint actions undertaken by the social partner organisations representing the two sides of industry, i.e. trade union and employer organisations.

The involvement of the social partners at the European level is organised around three different types of activities:

- tripartite consultation, which comprises the exchanges between the social partners and the European public authorities;
- consultation of the social partners, which covers the activities of the consultative committees and official consultations in the spirit of Article 153 TFEU (Treaty on the functioning of the European Union);
- The European social dialogue as such, which is the name given to the bipartite work of the social partners, whether or not it stems from the official consultations of the Commission based on Articles 154 and 155 TFEU.

Social dialogue is used to cover a wide range of information bipartite and tripartite consultations and business meetings<sup>5</sup>. There are two levels of social dialogue: cross-industry social dialogue and the sectoral level.

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<sup>3</sup> <http://www.ilo.org/public/english/dialogue/themes/sd.htm>

<sup>4</sup> S. Saniuk, *Ocena pracownika jako element modelu zarządzania personelem małych i średnich przedsiębiorstw produkcyjnych*, *Problemy profesjologii*, 2010, nr 2, s. 95-104.

<sup>5</sup> D. Hrehová a Kol., *Stretnutie a účasť ako forma dialógu v tolerančných spoločnostiach*. Teória a prax verejnej správy, Košice, UPJŠ, 2006, p. 145-150.

Cross-industry social dialogue covers the whole economy and labour market. Forms of cross-industry social dialogue are Social dialogue committee (SDC), working groups and seminars, negotiations and social dialogue summits.

The cross-industry organisation representing workers is the European Trade Union Confederation (ETUC), whose delegation also encompasses two organisations for professional and managerial staff (Eurocadres and European Confederation of Executives and Managerial Staff). The employers are represented by Confederation of European Business (BUSINESSEUROPE, formerly UNICE), European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) and European Association of Craft, Small and Medium-sized Enterprises (UEAPME).<sup>6</sup> The European cross-industry social partners have been in a permanent dialogue since 1985 when European social dialogue was officially launched. They have negotiated a considerable number of joint texts, including several agreements, since this possibility was introduced in the European treaties in 1993. The notion of social sustainability has been developed in the Lisbon Agenda in the European Employment Strategy, and other several Communities initiatives for local and community development<sup>7</sup>.

In 1998, the Commission decided to introduce sectoral dialogue committees promoting the dialogue between the social partners in the sectors at European level. A document defines the provisions concerning the establishment, representativeness and operation of new sectoral committees, intended as central bodies for consultation, joint initiatives and negotiation. The social partner organisations must apply jointly to the European Commission in order to take part in a social dialogue at European level.

The sectoral level covers specific branches of the economy, e.g. retail trade, construction, transport, agriculture, financial services. There are 35 sectoral social dialogue committees. More than 60 organisations participate in these committees. The Commission's role in social dialogue is to provide balanced support to both sides of industry. It chairs most of the social dialogue meetings as an impartial mediator.

The European social dialogue has resulted in a variety of outcomes and forms, ranging from joint opinions to guidelines, codes of conduct and agreements. These instruments can cover all possible subjects in the area of social affairs: working conditions, equal

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<sup>6</sup> <http://resourcecentre.etuc.org/EU-social-dialogue-5.html>

<sup>7</sup> K. Witkowski, *The Innovations For Sustainable Development*, 17th International Scientific Conference CO-MAT-TECH 2009, Trnava-Bratislava 2009, pp. 451-455.

opportunities, health and safety at work, training, information and consultation of workers, etc. Providing a good working environment and protect workers' rights is still alive<sup>8</sup>.

### **European Social Dialogue in the automotive industry**

The automotive industry is a central component of the manufacturing sector. The European Union is a major player in the global motor industry, accounting for about 25% of all vehicle manufacture. The changes in the distribution of production across European countries are part of the automotive sector's globalisation of production, and they reflect two distinct trends in manufacturing strategy: the search for cheaper skilled labour, and a shift towards new or emerging markets<sup>9</sup>. Of course, levels of union membership depend on a nation's industrial relations system, and in the EU, levels range from some 90% of the workforce in Sweden to around 20% in France, and even less in some eastern European countries. The prevalence of company-level bargaining in certain cases, such as in the UK and in central and eastern European countries, can fragment collective representation, but also reinforces the relative strength of industrial relations within each company, particularly the larger ones. All the major companies have well-established company-level bargaining, which in many cases supplements industry-wide agreements such as those covering the metalworking sector.

At sectoral level, the structure of trade union representation follows national patterns with single organisations (Germany and Slovakia) or union pluralism reflecting ideological differences (France, Hungary, Italy and Spain) or professional groups (Sweden).

### **The legislative basis of Social Dialogue in Slovakia**

Social dialogue at national level is adjusted by the following legislative standards:

**Constitution of the Slovak Republic** - The fifth section, „Economic, Social and Cultural Rights” Article n. 36 - Employees are entitled to fair and satisfactory working conditions. The law shall ensure in particular:

- a) the right to remuneration for work performed, sufficient to allow them a decent standard of living;
- b) protection against arbitrary dismissal and discrimination at work;
- c) preserve safety and health at work;

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<sup>8</sup> E. Bolfiková, D. Hrehová, *Analysis of satisfaction with a participation in organizations*, 2009, Serbian Journal-of Management, Vol. 4, no. 1 (2009), p. 105-115.

<sup>9</sup> <http://www.eurofound.europa.eu/pubdocs/2010/371/en/1/EF10371EN.pdf>

- d) the maximum working hours;
- e) adequate rest after work;
- f) the minimum permissible length of paid leave to recover;
- g) the right to collective bargaining.

**The Labour Code** is the basis for legal regulation of collective industrial relations. Industrial collective relations are devoted to 10th part in the following paragraphs:

- § 229 Employee participation in labour relations and its forms,
- § 230 to 232 Trade union,
- § 233 Staff council and staff confidant,
- § 234 to 236 Election of members of the Staff Council, election of staff trustee and election term,
- § 237 Hearing,
- § 238 Right to information,
- § 239 Control activity,
- § 240 Conditions of operation of employee representatives and their protection,
- § 241 to 242 Right to supranational information and negotiation,
- § 243 Conditions for establishing European Works Council or an agreed procedure for supranational information and negotiation,
- § 244 Special negotiating body,
- § 245 Agreement on the establishment of European Works Council or a procedure for informing and consulting,
- § 246 to 248 European Works Council established under the Act,
- § 249 Informing the employer's employees representatives in the Slovak Republic,
- § 250 Protection of members of the special negotiating body, members of the European Works Council and representatives of employees securing different procedure.

Collective bargaining is governed by Act. 2 / 1991 Coll. Collective Bargaining as amended, Act no. 557/2010 Z. Laws, which amends Act no. 2 / 1991 Coll. collective bargaining.

Among the first legislation in a time of changes after 1989, and that already on the 27th March 1990 was adopted by Act no. 83/1990 Coll. Association of Citizens, as amended. The law assumes that citizens have the right to associate freely, and the exercise of this right is not necessary to be authorized by state body. Under § 2 of citizens may be establishing associations, societies, unions, movements, clubs and other civic associations, as well as trade unions and gather in them.

New realities in the social partnership have brought great pressure on the European Union anti-discrimination legislation, which in Slovakia presents a comprehensive Act. 365/2004 Coll z. on equal treatment in certain areas and protection against discrimination (Anti-Discrimination Act) as amended. Even under foreign experience may be assumed greater application in judicial practice and in terms of social partnership.

The system of legal regulation of collective labour relations amended by Act No.. 103/2007 Z. z. Tripartite consultation at the national level (the Tripartite Act) as amended. The purpose of this Act is to promote effective social dialogue at national level between the state and employers and employees (hereinafter referred to as „social partners”) through their representatives.

Decree of the Ministry of Labour, Social Affairs and Family of the expansion of higher level collective agreements. Expanding higher level collective agreements are substantially changed. An amendment to the collective bargaining agreement effective from 1 January 2011, substantially changed the philosophy of extension of collective agreements binding the higher level for individual employers in the sense that it provides the condition of the consent of the employer with the proposed extension of the binding Higher level collective agreements (hereinafter referred to as „HLCA”).

Act. 5 / 2004 Coll z. Employment Services, as amended, etc.

Act. 152/1994 Z. z. the Social Fund, as amended.

### **Social dialogue and its level in the Slovak Republic**

**Tripartism:** The purpose of the Act no. 103/2007 from the promotion of an effective social dialogue at national level between the state and employers and employees (hereinafter referred to as „social partners „) through their representatives. State representative for the purposes of this Act, is the Government of the Slovak Republic. Representatives of employers for the purposes of this Act shall be appointed by representative by Associations of employers. Staff representatives for the purposes of this Act are representative Associations of trade unions. Economic And Social Council of the Slovak Republic is consultation and negotiation authority of the Government and social partners at national level.

**Sectoral social dialogue:** In order to create more favourable working and employment conditions, employees in various sectors of the economy to conclude collective agreements of higher degree. Higher level collective agreement is concluded for a larger number of

employers, between the higher trade union body and organization or employers' organizations.

Currently valid Collective agreement of a higher level:

- The collective agreement of higher level for the years 2010-2011 concluded between trade unions and the Union KOVO electronics industry SR.
- The collective agreement of higher level for the years 2010-2011 between the KOVO Trade Unions and the Union of Mechanical Engineering SR.
- The collective agreement of higher level for the years 2010 to 2013 as of 28.05.2010 concluded between the Integrated trade unions and employers in the Union Civil Aviation of the Slovak Republic.
- HLCA for the years 2010-2012 as of 28 April 2010 between the Food Industry Trade Union of the Slovak Republic and the Slovak sugar alliance.
- HLCA for 2011 of 21 December 2010 concluded between employers' associations in water management in Slovakia and the Trade Union WOOD, FORESTS AND WATER.
- HLCA for 2011 as of 22 December 2010 concluded between the Slovak Trade Union of Glass Industry Glass Industry and the Glass Union of Slovak Republic
- HLCA for the years 2011 to 2013 as of 20 December 2010 concluded between the Association of Slovak trade unionists for Energy and Employers association for Energy in Slovakia.
- HLCA for the period from 1.1.2011 until 31. 12. 2013 from 15<sup>th</sup> December 2010 concluded between Union of Trade and Tourism of Slovak Republic and Trade-Union labours of Trade and tourism.
- HLCA for years of 2009 until 2011 concluded between Chemical trade-union of Slovak Republic and Union of chemical and pharmaceutical environment of Slovak Republic.
- HLCA for employers and employees, who by remuneration are following the law no. 553/2003 by the statute for remuneration some employees by performing work in the public interest.
- Collective Agreement of higher level in the civil service.



**Corporate (organizational) social dialogue**

In the corporate collective agreements can negotiate claims in the same or greater extent as negotiated in the sectoral Collective Agreement of Higher Level. Commitments, which would be in the corporate collective agreement below the Collective agreement of Higher Level, are according to law void. The period to which the collective agreement is concluded is a matter of agreement between the parties. Trade union is a partner of the employer in collective bargaining. Both social partners (employers and trade unions) have equal status, i.e. equal rights. Trade unions in collective bargaining by law represent the interests of all employees regardless of their union membership. In practice it means that collective agreement covers all employees. If the employer operates a trade union, it is the sole partner of the employer for collective bargaining. In cases of multiple unions in the employer's organization, those in collective bargaining must act together or be between you and the employers agree otherwise. In practice, most commonly applied method, where in one collective agreement incorporates the requirements of both trade unions and employee representatives, as they agree among themselves.

**The main social partners in Slovakia*****Trade union organizations:***

- Confederation of Trade Unions - brings together 31 branches of trade unions.
- Independent Christian Unions of Slovakia – brings together 3 branches of trade unions.
- Independent trade unions registered with the Ministry of Interior on the basis of Act no. 83/1990 of statute.

***Employer organizations:***

- Federation of Employers' Associations – brings together 24 employers associations.
- National Union of Employers - brings together 19 associations and 14 individual members.
- Association of Towns and Villages of Slovak Republic.

***The State:***

- The Ministry of Labour, Social Affairs and Family.

## Social dialogue and Slovak government

Government in its declaration recognizing the social dialogue as an effective tool of the participation of employees and employers in formulating economic and social policies and to maintain social peace. Therefore, it will promote the trade unions regain their position as an effective advocate the interests of employees and social dialogue as an equal party. The most important objectives in promoting social dialogue will be creating conditions for achieving consensus among social partners on economic and social policies and conditions for the smooth functioning of collective bargaining. The Government shall endeavour to establish tripartite council at the highest level of authority than the trilateral consultations on the principle of equal social partnership of governments, trade unions and employers organizations. It will also support the creation or revival of industrial and regional tripartite. In order to increase the stability of the social environment will support the bipartite social dialogue between employers and trade unions, especially through legislative measures that remove barriers to effective collective bargaining and implement a model extension of collective agreements binding on other higher-level employers in accordance with relevant International Labour Organization (ILO). The draft legislation will also strengthen the position of trade unions in employee participation mechanisms in the enterprise, legal provisions for the exercise of the constitutional right to strike so as to prevent violations of rights and entitlements of employees.

## Sectoral social dialogue in automotive industry in Slovakia

The automotive industry is the single most important industrial sector in the economy of Slovakia and will, according to analysts, soon account for as much as one third of country's GDP<sup>10</sup>. The importance of the sector for the economy is not only underlined by the employment of more than 10 percent of the Slovak labour force in manufacturing, but more importantly by the high propensity for linkages with local suppliers.

The social partners on the sectoral level:

- Trade union: The Metal Workers Union (OZ KOVO) -Union density 16%.

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<sup>10</sup> Z. Lenhardtová, D. Cagaňová, Z. Gyurák Babeľová, *Contemporary situation in the creativity area in the Slovak republic*. In: Annals of DAAAM and Proceedings of DAAAM Symposium, ISSN 1726-9679, Vol. 20, No. 1 Annals of DAAAM for 2009 & Proceedings of the 20th international DAAAM symposium „Intelligent manufacturing & automation: Focus on theory, practice and education” 25 - 28th November 2009, Vienna, Austria. - Vienna : DAAAM International Vienna, 2009, ISBN 978-3-901509-70-4.

- Trade associations: SOPK (Slovak Chamber of Trade and Industry); ZAP SR (Association of automotive industries of the Slovak Republic).
- Employer association: ZSP SR (Federation of the Mechanical Engineering Industries of the Slovak Republic); ZEP SR (Federation of the Electromechanical Industries of the Slovak Republic).

In Slovakia, an industry-wide agreement for metalworking covers the automotive sector. The parties to this agreement are the sectoral trade union The Metal Workers Union (OZ KOVO) and the Federation of the Mechanical Engineering Industries of the Slovak Republic (ZSP SR). Even if major original equipment manufacturers - OEMs present in the country – VW, PSA Peugeot and KIA – are not members of ZSP SR, an agreement with the trade Association of the Automotive Industries of Slovakia (ZAP SR) explicitly entrusted ZSP SR to bargain on their behalf. All OEMs and a minority of the supplier companies are in addition involved in company-level bargaining.

### Case study

The first foreign automotive factory - Volkswagen Slovakia (1991 - Agreement on cooperation with the car manufacturer „Bratislavské Automobilové Závody“) began its 51 operations in Slovakia at the time of the Czechoslovak Federal Republic, and then after Slovakia gained independence, Volkswagen AG entered the Slovak market (1994).<sup>11</sup>

Company VOLKSWAGEN SLOVAKIA, a.s., a manufacturing-assembling plant of the German concern VOLKSWAGEN AG, manufactures and assembles passenger vehicles in Bratislava and car components and gear boxes in Martin.

Impact of the economic crisis could be seen in production of the automotive industry. In January 2009 the company management along with the trade unions submitted measures for longterm employment security in all Slovak manufacturing plants of VW Slovakia. A new tool for all employees consists in the multi-year fund of time account, by other words in flexi-account that they used as the first ones in Slovakia. In 2009 the production in Volkswagen Bratislava interrupted due to production reduction. Employees could take during this time either last year vacation or flexi-account. Employees were paid by the full wage.

Collective bargaining in 2010 led the plant employees to strike alert supported by nearly all employees. Their participation was manifested only by wearing stickers on clothing, the

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<sup>11</sup> Z. Lenhardtová, Z. Gyurák Babel'ová, D. Cagáňová, D. Rolando Delgado Sobrino, *From the challenges in automotive industry to centres of excellence*, In: Materials Science and Technology [online], Roč. 10, č. 2 (2010), p. 50-55.

production continued without any changes. After all, unionists did not come out on strike and agreed with the VW management. From 1 May 2010 the tariff wages increased by 3%. They were also paid out by a single-shot amount of 215 Eur.

Complicated collective bargaining in 2011 was successfully finalized by signing the collective contract for 2011 – 2012. From 1 April of this year the tariff wages of employees should be increased by 4,6% and the company will pay out again a single-shot amount of 225 Eur. From 1 March 2012 the tariff wage of employees will be increased by other 3%.

VW SK belongs to largest private employers in Slovakia. The company offers jobs for approximately 7 000 employees. The social program of the company has been awarded many times. Last time the company gained the HR Oscar Awards in 2010 for the best project in area of human resources management in Slovakia.

## Conclusion

Collective bargaining has a long tradition and is well developed in Slovakia. The majority of collective disputes in Slovakia were related to the conclusion of a collective agreement. This paper has been prepared within the project “The international cooperation network of educational and research institution with subcontractors and other bodies active in automotive Industry”, acronym AUTOCLUSTERS, financed by the European Union.



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