

CELSI Research Report No.21



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Executive summary

The aim of this study is to map social partners' role in addressing wage differences and wage inequalities. We are particularly interested in wage formation through the labour market institutions such as minimum wage setting or collective bargaining. We apply a unique approach of looking at formation and the justification of wage differences in all three levels of collective bargaining. At the national level we study the role of the statutory minimum wage on overall income inequalities and the social partners' activity in setting its amount. At the sector level we study sectoral collective agreements as well as social partners' responses on inequalities in four particular sectors. We further look at the establishment levels through case studies from three sectors of our interest.

The main research questions we address in this study are:

- How are wage inequalities addressed in the collective bargaining?
- Does collective bargaining mitigate the wage differences created through open labour market?
- How significant is the role of social partners in influencing the overall level of wage inequalities?

In order to answer the raised questions, several resources of evidence are combined. Along with the statistical evidence and previous research on similar issues conducted by various authors, interviews with representatives at the national, sectoral and company levels were conducted. We cover four sectors, namely metal, retail, banking and education, and present case studies from metal, retail and banking sector.

In the first part of the study we briefly present the statistics and ongoing debates at the national level on the income inequalities in Slovakia. Further we present social dialogue structures and main actors. We mostly point out the national developments and aggregate data for the whole economy. In the second part we present issues related to wage inequalities, its formation, justification and social partners' activity in the four sectors. This is combined with the detailed presentation of the case studies from Volkswagen in the metal sector, Billa – REWE group in retail and Všeobecná úverová banka – Intesa Sanpaolo in the banking sector. For each sector, available statistics on wage inequalities are presented. The third part of the study compares four sectors. It drives conclusions about the impact of collective bargaining on the level of wage inequalities and answers the question whether collective bargaining helps to mitigate wage inequalities in the four examined sectors.

The analysis shows that collective bargaining in Slovakia plays only a limited role in mitigating wage inequalities in these sectors. Social partners rather focus on influencing national legislation on the statutory minimum wage that in their views help to increase wages of low-earners and hence, decreases wage inequalities at the national level. At the sector level, despite the formalized existence of the collective bargaining we found limited evidence of its impact on wage inequalities. Collective bargaining at the sector level thus offers only illusory coordination of the market economy with very limited impact on wage inequalities.

Introduction

Labour market institutions (LMIs) such as collective bargaining, play an important role in wage formation and efforts to decrease inequality. This study aims to uncover the process of inequality formation or elimination through the established institutional channels as well as through approaches, strategies and actions of key labour market actors, including employers, trade unions and government representatives in Slovakia.

Being one of the recent EU member states from the post-socialist region of Central and Eastern Europe (CEE), Slovakia is as an open, export-led economy with a high share of foreign direct investments (FDI). Economic growth through openness and FDI has been accompanied by several labour market reforms aiming at liberalization and employment flexibility. Nevertheless, there persists a relatively high degree of wage bargaining coordination when compared to other CEE countries (except Slovenia).

According to the typology on capitalist diversity in the CEE region, Slovakia belongs together with Czechia, Hungary and Poland to embedded neoliberal economies. The hallmark of embedded neoliberal countries is a combination of pro-business policies with welfare policies, where the direct role of the state is gradually decreasing while maintaining responsibility for citizen well-being (Bohle and Greskovits 2012: 148-150, 217-218).

The combination of economic success based on liberalization, persistence of coordinated bargaining, and relatively low levels of inequality make Slovakia an interesting case for addressing how inequalities are constructed and what is the role of industrial relations actors and wage setting institutions, including collective bargaining, in this process.

Besides national-level developments, the study covers four sectoral cases. Each sector has a developed and functioning structure of social dialogue and collective bargaining, in which wage formation and wage growth play a crucial role. The interests of actors, mainly trade unions, evolve around wage increases within these sectors. Wages thus form the centre of the sectoral discourse among the social partners.

In the *metal sector*, the study focuses on the automotive industry, which is the most important sector of the Slovak economy. Employees in the industry are covered via establishment-level and sector-level collective agreements. Performance pay and individual bonuses, next to a high share of agency work, may be the most important sources of wage inequality. In the *retail sector*, flexible employment forms are widespread and inequalities are channelled not only by employment forms, but also through the distribution of working time, overtime payments and the weakness of sector-wide bargaining institutions. While the retail sector saw a divide in employers' interests between foreign and domestic retail networks, the *banking sector* is completely dominated by multinational companies. A sectoral collective agreement exists in banking, and inequalities are channelled through internal flexibility (individual bonuses, working time, career perspectives, etc.) rather than a flexible hiring and firing policy as well as collectively negotiated wages. Finally, in the *education sector*, wages are regulated via public sector tariffs. After three years of wage freeze, trade unions in the education sector in response to the post-crisis austerity, organized a strike and gained wage increases.

Wages in education are systematically on the bottom of the wage distribution in Slovakia as well as in international comparisons. While the government aims to tackle this problem (and related to that a high fluctuation with repercussions on the quality of education) through annual wage rises for teachers, there is an ongoing tension between trade unions and the government regarding the approved percentages of wage growth.

Within each sector, company-level case studies are presented in the study based on the interviews with representatives of the companies. The selected case studies include Volkswagen Slovakia – part of the German Volkswagen (metal/automotive), Billa – part of the Austrian Rewe Group (retail) and Všeobecná úverová banka – part of the Italian Intesa Sanpaolo (banking).

Data for this study are collected from several sources. First, authors have participated in a number of research projects on industrial relations, wage inequality and sectoral bargaining in Slovakia. Earlier studies serve as an important source of evidence. Second, evidence is collected from available domestic sources, including statistical evidence, media sources, collective agreements, press releases, minutes from tripartite meetings, and other documents highlighting the developments in wage setting, formation of inequality and social partner approaches to these. Finally, the authors conducted face-to-face interviews with key informants in each sector and at the national level, covering both employers' and employees' representatives (see table 1).

Table 1. List of conducted interviews

Interview code	Organization	Type	Respondent function
NAT3	RUZ SR	Employers' peak federation	Chief of the committee on labour, social work and healthcare of RUZ
NAT4	NKOS	Union peak confederation	President
NAT6	KOZ SR	Union peak confederation	President
METAL1	OZ KOVO	Trade union	OZ KOVO vice president and chief negotiator
METAL2	Zväz strojárského priemyslu	Employers' association	ZSP SR chief negotiator
VW1	Volkswagen – HR management	Employer	HR manager (responsible for wage setting policy)
VW2	Volkswagen –trade union organization of OZ KOVO	Trade union	President
BANK1	OZPPAP	Trade union federation	President

BANK2	Slovenská banková asociácia	Employers' association	Executive director
VUB2	Rada odborových zástupcov pri VUB, a.s.	Trade union	Representative of the trade union at VUB
RET1	OZPOCR	Trade union	Representative and chief negotiator of the trade unions for retail
RET2	Zväz obchodu a cestovného ruchu	Employers' association	1.vicepresident
BILLA1	Billa personálny manažment (REWE Group Slovensko)	Employer	HR manager
EDU1	OZPSAV	Trade union	President
EDU2	Zväz pracovníkov školstva a vedy NKOS	Trade union	President

Source: own compilation

1. National developments and debates on wage inequality

1.1. Statistical evidence on inequalities

We start our analysis with the statistical evidence on the extent of wage inequalities in Slovakia, which gives us a necessary background to answer our research questions in the following chapters of this study. Several different types of inequalities are presented, with the attention on income inequalities, inequalities according to education attained, gender pay gap and regional wage inequalities. For the purpose of the analysis of income inequalities, several resources are combined. The main added value of our analysis is the use of administrative data of the Social Insurance Agency (*Sociálna poisťovňa*, SP) on actual earnings of employees. This is a unique source of data on wage levels and wage inequalities in Slovakia. We also combine available data from the Statistical Office of the Slovak Republic (SSO), the Ministry of Labour and Social Affairs (MOLSA), Eurostat and ILO databases.

Slovakia is considered to be a country with relatively low level of income inequalities, compared to other EU members states (Salverda 2014). The Gini coefficient was 26.1 in 2014 and it has even dropped since 2006 by 2 points (see Table 1). The decrease throughout the period was apparently influenced by the economic crisis. Before 2008, inequalities were decreasing mostly because of wage increase in the bottom part of the distribution (Pauhofová et al. 2016). This trend was ceased by the crisis when wages of low income groups stagnated or even dropped in some sectors. Creation of new jobs was mostly in the higher skilled positions with higher wages which contributed the most to the inequalities increase after the crisis, as explained by Pauhofová et al. (2016) in the most recent analysis of wage inequalities in Slovakia. The similar is seen when we look at earnings dispersion. In 2014, a ratio of the eighth and second was 3.9 compared to 3.4 in 2008 (Eurostat). This suggests that earnings at the upper limit of the distribution are growing faster than those at the lower edge.

Table 1. Income inequalities indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Share of people threaten by poverty	32	26.7	21.3	20.6	19.6	20.6	20.6	20.5	19.8	18.4
Gini coefficient	26.2	28.1	24.5	23.7	24.8	25.9	25.7	25.3	24.2	26.1
Earnings dispersion among employees (Decile 8/Decile 2)	3.9	4.1	3.5	3.4	3.6	3.8	3.8	3.7	3.6	3.9

Source: Eurostat (EU SILC)

The relatively equal income distribution in Slovakia can be explained by the high share of low wages, redistributive policies and minimum wage increase. Regarding the low wages,

for 2014, a median wage was 750 EUR, compared to an average monthly wage of 957 EUR. The share of low wage earners is stable over time, at the level of 19.18% in 2002 and 18.3% in 2006, compared to 19.03% in 2010 according to Eurostat.

According to Eurostat data, the share of people at risk of poverty is decreasing continuously, from 32% in 2005 to 18.4% in 2014 (ILOSTAT 2015). Slovakia thus belongs to the group of countries with the lowest poverty rates, together with Norway, Sweden, Denmark, France and Czech Republic. Interestingly enough, public expenditures on social policies in Slovakia are much lower than in the Nordic countries (Kahanec et al. 2014).

Despite low public expenditures, redistributive policies play an important role in compensating low income individuals and households. This is especially remarkable when we look at the role of social transfers. For instance, 87% of retired people would be threatened by poverty if social transfers had not been provided. With social transfers, 6% of people over 65 are at the risk of poverty. For working population aged 18 to 64, social transfers do not play such a significant role, but it still improves the situation for 18%¹. Redistribution thus plays an important role in mitigating income inequalities. However, this is true mostly for retired people while younger, especially families and single parents, are threatened by poverty the most.

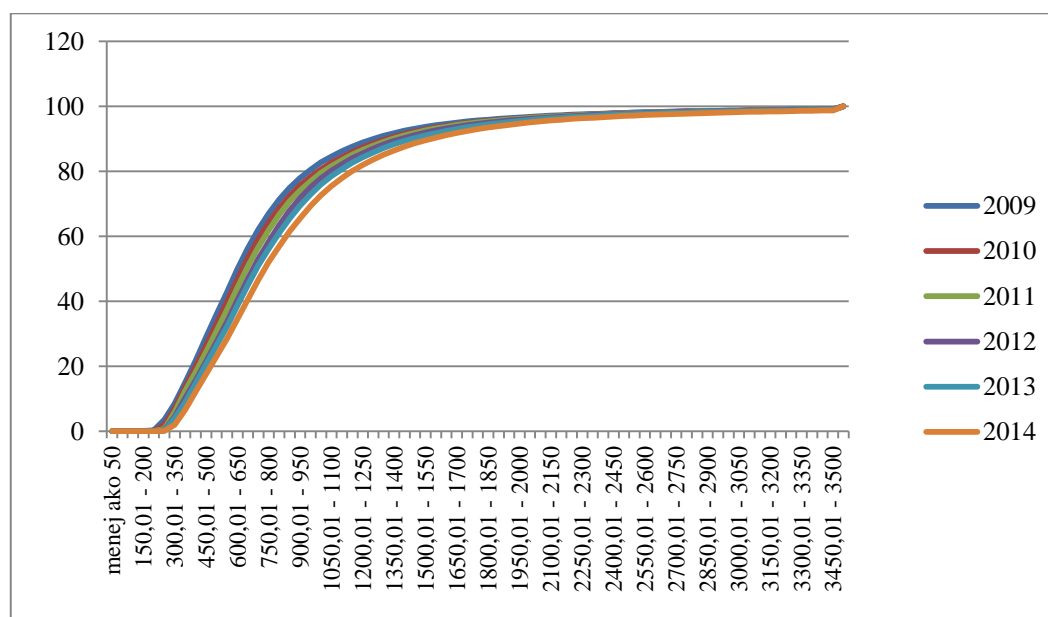
We have limited evidence on top incomes in Slovakia. From the income distribution reported by the SSO we know that the number of people earning more than 3,500 EUR monthly was 1.23% in 2014 and increased from 0.9% in 2009. During 2000s, Slovakia introduced flat tax rate, thus lowering the top tax rate from 38% to 19%. Overall tax reform had a positive impact on high income groups and neutral or negative on the middle income group (MF SR 2005; Moore 2005; Brook and Leibfritz 2005). High income groups thus pay lower taxes now than in the pre-reform period.

1.1.1. Income distribution

Figure 1 depicts the distribution of employees' earnings in Slovakia and its shift over time. It does not capture income from employment forms outside an employment relationship, such as work agreements or other flexible contracts. According to data, 90% of earnings were up to 1,600 EUR monthly in 2014.

¹ Source: SUSR, 2015, data for 2013.

Figure 1. Income distribution in Slovakia



Source: own compilation based on data from SSO, 2015. Horizontal axis depicts income levels grouped by EUR 50, vertical axis cumulative share of people in each of the income level, in %.

For the analysis of changes in income distribution in the last 10 years, we use Social Insurance Agency's administrative data which depict actual earnings of employees in Slovakia. The sample is quite large, it oscillates around 1,645 ths. observations in total (see Table 2). We offer analysis of the distribution in deciles comparing either bottom and the top decile or 2nd and 8th decile in order to capture modest distribution differences. For the sake of reliability of our computations, we compare our results with official statistics of Eurostat or Slovak Statistical Office (SSO). We have limited possibilities to report hourly wages, but we provide our own computation.

Table 2. Number of observations and average wages

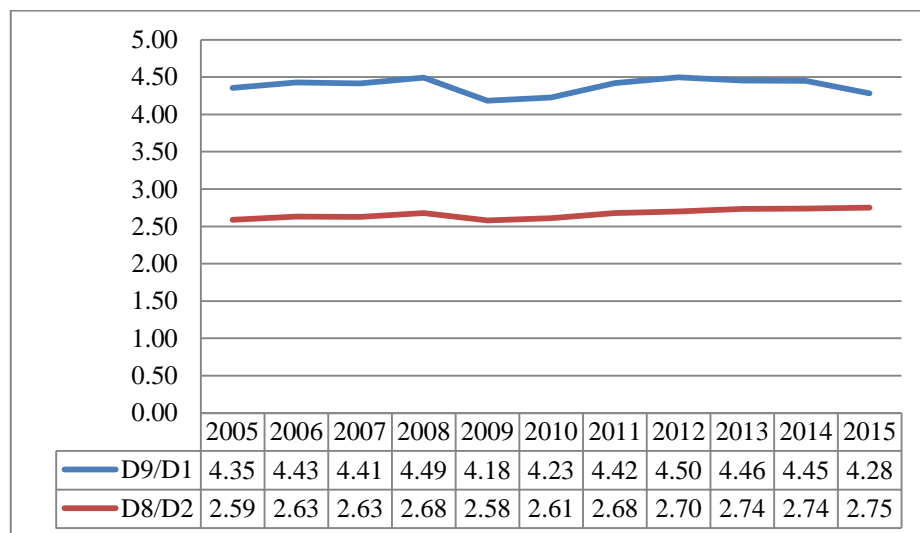
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	N	1,648,914	1,676,192	1,711,782	1,677,267	1,602,253	1,573,480	1,580,508	1,562,330	1,574,366	1,593,034	1,645,251
	Avr. wage	572	617	672	730	750	779	832	871	879	911	945

Source: Social Insurance Agency, own compilation

Overall wage distribution measured as a decile ratio confirms the trend of stagnation or even convergence in wage inequalities. Especially after the crisis when wages and employment dropped, which in most of the cases for higher deciles, wages temporarily

dropped. On average, top earners have 4.5 times more than low earners (Figure 2). In percentage, top incomes are 328% higher than lowest incomes.

Figure 2. Decile ratios D9/D1 a D8/D2



Source: SP (data accessed via Employment Institute), own computation

From the publicly available databases, average hourly wages are not available for the whole examined period and sectors. In Slovakia, the majority of data resources report monthly wages as a basic indicator of the earnings level. Hourly earnings are available in official statistics for 2010 from the Structure of earnings survey reported by Eurostat and Trexima data provided by MOLSA for 2014. Therefore, we provide our own computation of hourly wages for the examined period from the data from SP. We extrapolate hourly wages from nominal wages obtained from the Social Insurance Agency, index of wage increase and inflation from SSO, and average of hours worked per week using Eurostat data. This methodology allows us to compare wage development over time.

Obtained values correspond to data available from the sources mentioned above. Structure of earnings survey (SES) provided by Eurostat with data from 2010, reports average hourly wage 4.47 EUR, whilst our computation for that year is 4.7 EUR. The second source for the average hourly earnings is the 2014 survey provided by MOLSA through the Trexima company. This source confirms 5.76 EUR per hour in 2014 as an average, similar to our dataset which uses administrative data from SP where we find 5.7 EUR (see Table 3).

Table 3. Average nominal and real hourly wages

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average nominal monthly wage (SP)	572	617	672	730	750	779	832	871	879	911	945
Real monthly wages*	557	565	626	663	729	759	736	792	868	917	943
Hours worked per week (Eurostat)				41	40.8	40.6	40.6	40.8	40.7	40.5	40.2
Average nominal hourly wage*	3.6	3.9	4.2	4.5	4.6	4.8	5.1	5.3	5.4	5.6	5.9
Average real hourly wage*	3.5	3.5	3.9	4.1	4.5	4.7	4.5	4.9	5.3	5.7	5.9
Index of real wage (r.o. m.r. = 100) SSO	6.3	3.3	4.3	3.3	1.4	2.2	-1.6	-1.2	1	4.2	3.2
Inflation (SSO)	2.7	4.5	2.8	4.6	1.6	1	3.9	3.6	1.4	-0.1	-0.3

Source: SSO, Eurostat, *own computation

1.1.2. Role of education

Education gained importance in redistribution policies and income differences during the transition period in the 1990s. Whilst during communism, age and seniority explained most of the wage differences, in the post-socialism era, education determines income differences the most. As shown in research from Večerník (2001) on data of the Czech Republic, which could also be valid for Slovakia², people with tertiary education experience the highest levels of employment and also gain the highest wages. This increases the interest of young people to attain a diploma degree. As a result, the share of tertiary educated people is increasing, mostly within younger cohorts. This is already reflected in the labour market. Young people with a tertiary degree experience difficulties to find a job and very often undertake a job which requires lower qualification. As Štefánik and Horvát (2015) show in their research, more recent tertiary education does not mean higher returns to education for Slovak young people, compared to Austria or Germany where recent education means higher returns from it. In other words, fresh graduates do not attain the most up to date knowledge and employers are aware of it. In most cases, employers provide their own trainings and education to new employees. As employers often claim, fresh graduates even from universities do not possess satisfactory qualifications applicable in the current labour market.

² Czechia and Slovakia share common history of Czechoslovakia.

Education plays a significant role in remuneration systems, particularly in the wholesale and retail and manufacturing sectors. While on average, people with high qualification (ISCED6) earn 2.79 times more than people with lower secondary or second level of basic education (ISCED2) in wholesale and retail, the difference is almost twice as big (5.85). In manufacturing, this difference amounts to 3.54, meaning that higher qualification in manufacturing ensures a 3.54 times higher wage (see Table 4).

Table 4. Wage differences among sectors and education attained

	Total	Manufacturing	Wholesale and retail	Finance	Education
Total	777	741	790	1278	686
ISCED 2	472	516	479	760	389
ISCED3-4	670	684	669	942	525
ISCED5A	1157	1331	1441	1575	783
ISCED5B	837	888	965	974	675
ISCED6	1319	1826	2800	2059	1169
Share of ISCED6/ISCED2	2.79	3.54	5.85	2.71	3.01

Note: ISCED 2 – Lower secondary or second stage of basic education, ISDEC3-4 Upper secondary and post-secondary non-tertiary education, ISCED 5A First stage of tertiary education, programmes that are theoretically based/research preparatory or giving access to professions with high skills requirements, ISCED 5B First stage of tertiary education, programmes which are practically oriented and occupationally specific, ISCED 6 Second stage of tertiary education leading to an advanced research qualification.

Source: European earnings survey, 2010

1.1.3. Gender pay gap and regional wage differences

Gender pay gap in Slovakia is one of the highest in the whole European Union. Wage differences oscillate between 22 and 24% (see Table 5). The highest differences are in male dominated sectors such as finance, information and communication or manufacturing at around 30%. On the other hand, education has one of the lowest gender pay gap with 13%.

Table 5. Gender pay gap by selected sectors, in %, NACE 1-digit

	2009	2010	2011	2012	2013
Total	22.7	22.3	24.2	24.1	22.5
Manufacturing	29.8	29.3	30.8	30.3	30.2
Electricity, gas, steam and air conditioning supply	14.6	12.4	14.2	13.5	12.9
Construction	9.6	7.7	6.6	9.4	6
Wholesale and retail trade; repair of motor vehicles and motorcycles	25.4	26.2	27	26.8	27
Transportation and storage	4.4	3.7	8.8	9.5	8.5
Accommodation and food service activities	17.3	11.9	13.8	16.6	12.5
Information and communication	30.6	30	31.4	31.4	30.9
Financial and insurance activities	41.4	42.1	42.5	40.4	38
Real estate activities	27.2	23	26.7	19.3	21.6
Professional, scientific and technical activities	29.9	21.6	21.6	21.1	20.9
Administrative and support service activities		2.8	12.2	13.1	10.3
Public administration and defence; compulsory social security	27.1	30.7	26.6	26.9	25.8
Education	16.7	16.8	13.6	14.1	13.6
Human health and social work activities	24.8	23.8	22.8	23.8	22.7

Source: ILOSTAT, 2015

Slovakia also suffers from high regional differences that are translated to wage levels at a great extent. GDP per capita in the region of Bratislava³, the capital, is more than twice as high as the national average⁴. The weakest regions are in the central and eastern parts of Slovakia with a GDP around one third of the Bratislava region. This is reflected in earnings, the average wage for Bratislava based employees is 1,284 EUR while employees based in the Prešov Region in Eastern Slovakia earn 767 EUR. Therefore, the reported average wage for Slovakia EUR 957⁵ does not reflect the reality of the Slovak earnings, since only the region of Bratislava is above average whilst the rest of the regions report values from 767 EUR to 908 EUR (SSO, 2015).

³ According to statistical NUTS classification, Slovakia has 8 regions at NUTS 3 level. Those statistical regions are in the same time self-governed administrative units of Slovakia, having responsibilities in the education, health care, social services or investments on their territory.

⁴ Slovakia's GDP per capita in PPS is EUR 20 009, in Bratislava, it is EUR 48 948 and in Banská Bystrica region it is EUR 14 547 (data for 2014, source: SSO, 2015).

⁵ Data are for 2014 and are retrieved from the SSO database of regional indicators – StatDat.

1.1.4. Role of wage setting mechanisms on wage inequalities

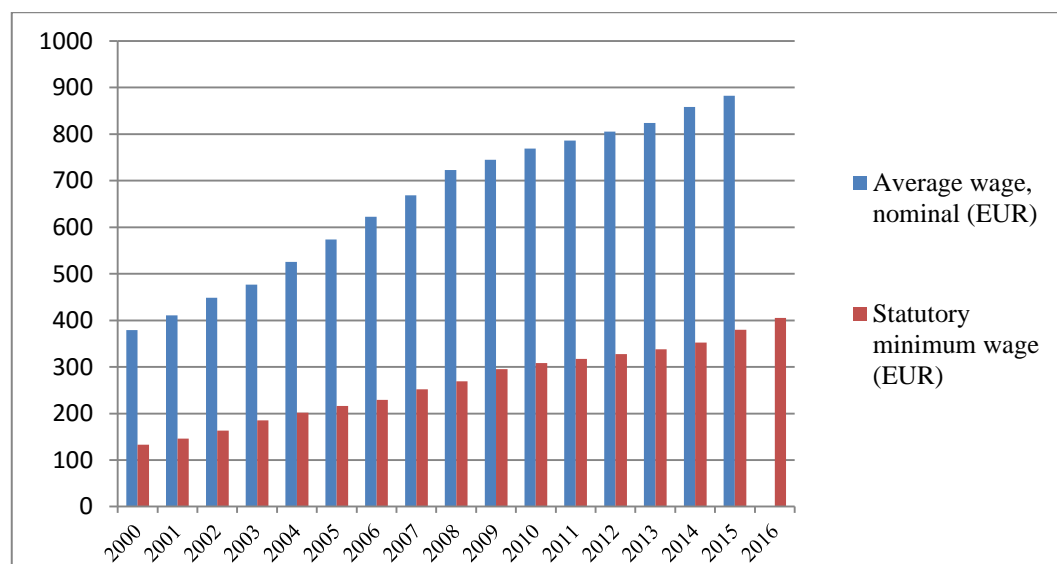
Wage setting mechanisms that are defined in the labour legislation, namely minimum wage and collective bargaining, are supposed to play an important role in mitigating wage differences created by the labour market. While minimum wage intervenes at the lower edge of the distribution and helps to reduce working poverty, collective bargaining aims at the working population but relies on sectoral and establishment levels.

Minimum wage

Since the fall of socialism in '89, minimum wage was defined by the law based on tripartite bargaining of social partners and government. Its yearly update is reason for disputes among social partners, however, the final decision is on the government. Even during the crisis, minimum wage was growing (

Figure 3). As it is stipulated by the Act on minimum wage, inflation and growth of the average wage in the economy should be considered when updating the minimum wage. Thanks to the low inflation in the first post-crisis years, growth of minimum wage was modest.

Figure 3. Average and minimum wage in Slovakia

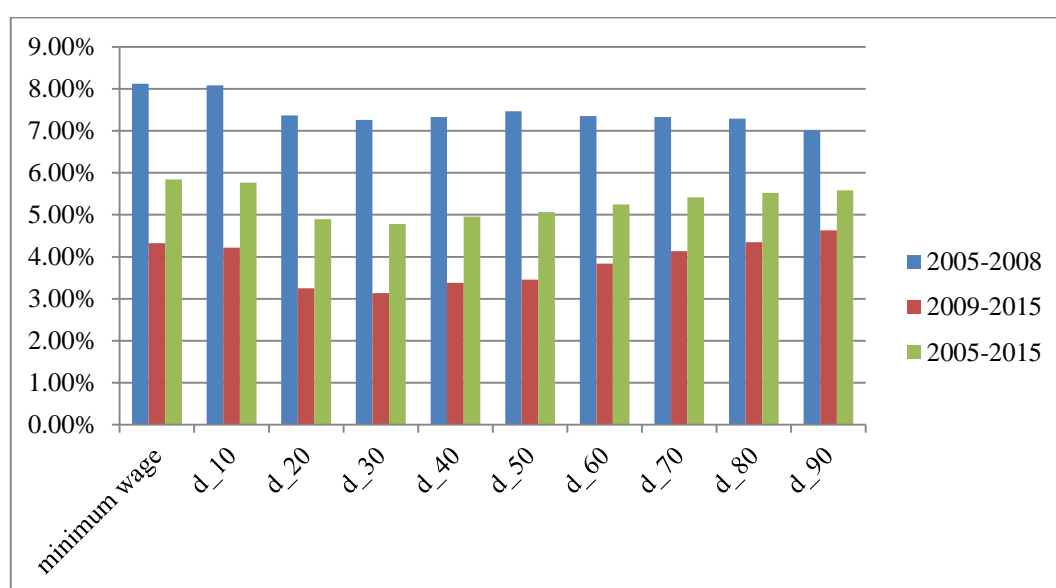


Source: MOLSA and SSO

However, in recent years, centre-left oriented government increased the minimum wage more intensively. The current level of 405 EUR per month is aimed at ensuring decent living standards for lower income groups. Based on our computations, an increase of the

first income decile copies the average increase of minimum wage, whilst the rest of the income groups experienced lower increases, with the exception of the 9th decile which was rising similarly to the first one. Thus, while the rise of income in the bottom part of the distribution is ensured through the minimum wage increase, the subsequent deciles are lagging behind, except the decile representing the highest income (see Figure 4). This suggests that the increase of the statutory minimum wage is higher than the wage increase facilitated through the collective bargaining and/or individually negotiated wage increases.

Figure 4. Average rise of minimum wage and wages in deciles



Source: SP (data accessed via Employment Institute), own computation

The number of workers earning minimum wage varies according to age, sector and region. Minimum wage is earned by 15,455 employees (MOLSA, 2015), out of which almost 6,000 work in the sector “administrative and support workers” (NACE N) and almost 3,000 workers in industrial production (NACE C).

The highest number of workers earning minimum wage (3,427) are in the Bratislava region, however, compared to overall employment, the share amounts to 1.41% compared to the Presov Region where a similar absolute number constitutes 3.48% of the workforce. More than 5,000 employees out of all the minimum wage earners are up to 29 years old (MOLSA 2015).

The low level of the minimum wage still creates space for further increase without significantly increasing unemployment. According to the study produced by the Institute for Financial Policies, 7% of employees earn minimum wage (IFP 2016). According to the IFP, increasing the minimum wage by 5% increases prospects of those workers to be

unemployed by 1%. Overall, the effect of the minimum wage increase would be higher for young and low qualified workers, and sectors such as agriculture or retail where wages are lower and could be influenced more.

Collective bargaining

At the sectoral and company level, it is collective bargaining which influences the wage setting and wage inequalities within the sector or company. Despite the relatively developed social dialog in Slovakia, trade union membership dropped from more than 60% in 1993 to only 13.3% in 2013 (ICTWSS 2015). Sectoral level social dialog still takes place in 18 sectors (Karšay and Mičúch 2014). Mechanisms of wage increases defined in sectoral collective agreements differ. While in some sectors, increase is defined as a percentage by which all wage tariffs are increased, in others only percentage points without specification are concluded.

It should be added that social dialog at the sectoral level usually does not affect wages significantly in the sectors. Employers' organizations are very careful in concluding agreements which do not "hurt" their members in terms of setting wages higher than employers are able or willing to pay (good example is automotive sector). Trade unions do not oppose this strategy and to ensure persistence of the sectoral level collective bargaining, they usually agree on the conditions that are only slightly above the minimum defined by the labour legislation. For actual wage setting, company level collective bargaining is more important.

According to data from the Ministry of Labour collected by MOLSA, trade unions operate at around 32%⁶ of entities at the company level. Bargaining coverage, defined as the share of employees whose contract is regulated by bargaining agreements, is 25% (ICTWSS, 2015). Average hourly wages in companies without collective agreements is 5.48 EUR and for those with collective agreements it is 6.47 EUR (MOLSA 2015).

In the majority of big companies, tariff systems for the remuneration of employees are used. The most common are tariffs in 12 degrees, based on the difficulty of the work provided at the particular workplace. Data on the increases of wage degrees within the companies shows that lower degrees grow slower than the highest. Between 2011 and 2013, an average increase in the lowest tariff was 6.2% while in the upper tariff it was 6.7% (MOLSA 2013). Wage tariffs are used in all four sectors of our interest. In manufacturing, retail and financial sector, a 12-degree system is applied, in education it is a 6-degree system.

1.2. National debates and policy interventions regarding inequalities

As suggested in the previous part, minimum wage policy influences the income distribution and partially contributes to low level of inequalities measured statistically. Besides minimum wage disputes mentioned above, income redistribution is facilitated

⁶ Source: Trexima, 2013.

through the social system which mitigates income inequalities, especially for retired people. Expenditures on social system (active and passive labour market policies, retirement system, etc.) are stagnating. Computed as a share on GDP, they even declined between 1995 and 2007. “As a result, the mitigating role of social expenditures on income inequalities appears to have somewhat weakened in Slovakia” (Kahanec et al. 2014).

Another mechanism of wage policies is the extension of sectoral collective agreements. This LMI is not so common in CEE countries, but Slovakia established the *erga omnes* principle in 2007 and with short exception between 2010 and 2012, kept it until 2016. Before 2007, extension was possible with the accord of the employers. In 2007, trade unions exerted their influence on the social democratic party SMER (ruling the government) and enhanced the legislation in favour of extensions without accord from employers. “In effect, the number of extensions increased compared to the pre-2007 period, but in general declined compared to the 1990s. This development came hand-in-hand with the overall decline in the number of sectoral or multi-employer agreements concluded between 2007-2010” (Kahancová et al. 2014). In 2016, the Constitutional Court of Slovakia decided that the extension of a collective agreement without the agreement of employers is unconstitutional. The new legislation is expected by the end of 2016.

As it was suggested in the previous part, sectoral collective agreements do not contain any labour regulation which would significantly change the particular sector and thus rather remain declarative documents for the existence of the social dialog at the sectoral level. This of course does not completely deny its existence, but rather point out on the limitation of this tool. As Kahancová et al. further claim, “although the introduction of horizontal extensions resembled an important milestone in Slovakia’s industrial relations, given its limitations it did not have a long-term significant effect on job quality and inclusive growth.” (*ibid.*). This statement is supported by the recent study of the National Bank of Slovakia (NBS) which concludes that even in the case of extensions of all relevant sectoral agreements, average wage increase in the economy would be 0.24 percentage points within three years and 370 thousand employees would receive 3.9% higher wages (Karšay and Mičúch 2014).

Table 6. Impact of the extension of sectoral collective agreements (CBAs) on wages in economy

Sector	Increase bargained in the sectoral CBA	Companies covered by sectoral CBA (%)	Wage increase in the companies not covered by sectoral CBA (%)	Number of employee in bigger companies	Number of employees on which extension applies	Average wage	Initial amount of wages, not covered by sectoral CBAs (mil. EUR)	New amount of wages (after extension) (mil. EUR)	Increased amount of wages (mil. EUR)

Transport	3.0	9.7	1.3	86,460	78,073	870	815	825	10,3
Construction	3.3	6.6	1.4	38,360	35,828	1,011	435	441	6,0
Energy	1.0	13.3	0.4	16,464	14,274	1,540	264	265	1,2
Mining and quarrying	1.5	22.9	0.6	6,799	5,245	1,073	68	68	0,4
Metallurgy	2,6	4.8	1.1	50,378	47,960	1,104	635	642	7,0
Finance	1.3	27.0	0.5	30,866	22,532	1,898	513	516	2,7
Alimentaries	1.0	2.0	0.4	28,504	27,934	854	286	287	1,2
Metal	3.5	10.6	1.5	94,045	84,076	1,075	1,084	1,100	15,9
Water supply	4.1	18.2	1.7	19,359	15,836	927	176	179	3,0
Chemistry and pharmaceuticals	0.8	25.9	0.3	10,800	8,007	1,123	108	108	0,4
Agriculture and forestry	2.8	8.0	1.2	32,977	30,339	779	284	287	3,3
Sum	-	-	-	415,012	370,104	-	4,668	4,719	51,4
Average	2.3	13.5	1.0	-	-	1,065	-	-	-

Source: Karšay and Mičúch (2014)

Policy measures undertaken by the government in the last decade have rather contributed to the increase of income inequalities than to its mitigation. The most important reform of the last decade was an introduction of the flat tax rate at the level of 19% in 2004. The official purpose of the tax reform was the decrease of administrative burden for entrepreneurs and employees, another less sound was the “race to the bottom” type of effort to attract FDIs. Regarding the redistribution effect of the tax reform, it had neutral or negative effect on the low and middle income groups and strongly positive on high income groups. Therefore, in overall, the new system of taxation was less redistributive than the former one (Brook and Leibfritz, 2005; Moore 2005). The system persisted with several governments. The centre-left wing of Robert Fico introduced changes, but those were rather incremental with no significant effect on redistribution.

Currently, Robert Fico’s government introduced several measures that aim to influence the income of different groups in population. For instance students, children and retired are relieved from payments on state railway services. In 2016, reduction of VAT from 20 to 10% in a few of the basic foods (bread, butter, fish and meat) was introduced. In 2016, the election year, return payments to households using gas for heating and cooking are aimed at supporting low income groups in society. The effects of those measures are not expected to have significant impact on income distribution; especially because of its discretion.

1.3. Roles and views of national social partners

National social partners, trade union confederations and employers' associations, mostly recognize gender pay gap as the main issue regarding wage inequalities in Slovakia. Both trade unions peak federations, the Confederation of Trade unions in Slovakia (KOZ SR) and the Independent Christian Trade Unions of Slovakia (NKOS), created special committees for equal opportunities over time. In general, addressing wage inequalities in Slovakia is not the top priority for neither the unions nor the employers. Rather, they believe that wage inequalities can be addressed within the debate about the minimum wage and general debate on low wages in Slovakia. The attitude of trade unions to a large extent stems from the fact that employees rarely approach them at the company level with issues related to wage inequalities, with the exception of a few very competitive sectors, such as finance and banking.

The biggest confederation of trade unions, KOZ SR identifies three main areas regarding wage inequalities at the national level. First, it recognizes gender pay gap between men and women as the main issue. Its reduction is therefore one of the main priorities of the confederation in the near future. Second, KOZ SR fights against the regional wage inequality and has a firm stand for the equal pay throughout the regions. KOZ SR also opposes proposals for regional minimum wages and supports one national statutory minimum wage. Another issue is sectoral differences in wages. While in some sectors, wages are very low and at the level of minimum wage, sectors like banking experience relatively high pay. In addition to the three main areas, according to KOZ SR, wage inequalities can be manifested via the use of flexible, precarious forms of employment, where "every contract poses a possible threat that the wage will be lower [*compared to a standard, full-time contract*]" (NAT6).

The social dialogue at the national level revolves around the minimum wage too. While trade unions advocate one national minimum wage, employers would like to introduce regionally diversified minimum wages based on the average wage in the particular region which would in trade unions' eyes only deepen wage inequalities at the national level and make "poor regions poorer" (NAT6). Wage inequalities, however, are not particularly a topic that the tripartite body addresses at its meetings, according to KOZ SR. Nevertheless, within KOZ SR, trade unionists regularly address the remuneration of employees with tariff wages, mostly in state-owned companies.

The biggest employers' peak federation, the National Union of Employers (RUZ SR) on the other hand focuses its activities on improvement of business environment in Slovakia. Wage inequalities, in their view, should be addressed by the other two partners in the tripartite, the state and trade unions. Nevertheless, employers acknowledge the existence of two main problems: gender pay gap and regional wage inequalities. Whilst in employers' eyes, gender pay gap is slowly closing, regional inequalities are somewhat natural and reflect the competitiveness in the business and economy as such. Employer's attitude, thus, can be characterized as responsive, addressing the issue of wage inequalities on the individual basis and at the response of social partners, providing they raise the issue.

1.4. Conclusions – national level

Statistics on inequalities picture Slovakia as a country with rather modest income differences. Nevertheless, significant wage differences occur, mostly between men and women, but also within and between sectors and regions. From our analysis, national policies partially contribute on inequalities decrease. It is firstly redistributive policies that help protect many elderly people from poverty and secondly, it is minimum wage policy which increases wages of the lowest income groups. On the other hand, some marginalized groups of people on the labour market, such as young people or single parents, are significantly threatened by poverty and implemented policies do not improve their situation.

Social partners are mostly concerned with gender pay gap which is statistically high in Slovakia. Other concerns arise around the regional differences and the increase of precarious forms of employment that contribute to the increase of wage differences. Trade unions strongly support annual increases of the statutory minimum wage as the primary tool on fighting wage inequality. Collective bargaining is still applied at the sectoral and company level but its impact is diminishing with decreasing coverage rates and membership figures. Wage inequalities between and within sectors are significant and we deal with the differences and social partners responses in detail in the next part of the report.

2. Case studies of wage inequalities and related discourses in selected sectors

The second part of this study focuses on the case studies in four sectors. Within each sector we study the sector as a whole and perform sectoral case studies (except in education) to better understand the wage setting mechanisms. The focus of this analysis is on wage inequality within organisations (top to bottom, distance to mean, managerial/non-managerial, with/without bargaining power, etc.) and within sectors (wage drift, opening clauses, posted workers, covered-non covered by collective agreements, region, etc.). We look at the following dimensions of wage setting systems at sector (and company) level:

- 1) Collective bargaining processes, coverage, levels, links between levels (favourability principle, opening clauses), coordination, demands, settlements, strategies
- 2) How are wages of individuals determined (functions linked to wage scales and steps, individual negotiation, etc.)
- 3) What is the basis for wage increases (company result, sector economy, national economy, bargaining power, benchmarking, etc.)
- 4) How wage increases are distributed (uniform, more to lower wage groups, individual performance, etc.)
- 5) Minimum wage (level, importance, how determined, etc.)
- 6) Top incomes (how determined, role unions in corporate governance, etc.)

2.1. The banking sector

The banking sector is depicted in the statistics, according to NACE codes, as a part of the financial sector, therefore data available include also insurance sector and all other financial institutions. Nevertheless, banking constitutes a large share of the financial sector and is completely dominated by multinational companies. Currently, 27 retail banks operate in Slovakia out of which 13 reside in Slovakia and the rest are branches of foreign banks. The financial results of the banking sector are positive, with an increase in profit by 13.1% in 2015. However, the profit growth rate is gradually decreasing⁷.

2.1.1. Employment and wage trends in the banking sector

Employment in the whole financial sector constitutes only 1.9% of national employment in the country. In 2015, 42,000 people were employed in the sector (SSO). Wages in the sector belong to the highest in the economy: according to SSO, the average wage in 2015 was 1,686 EUR compared to the 957 EUR average in the national economy. High

⁷ Source: The Slovak Banking Association, available:
<http://www.sbaonline.sk/files/subory/analyzy/verejne/sektor-2015-04.pdf>.

average wage is however accompanied with high gender differences, as gender pay gap is almost 40%. Males earned on average 2,310 EUR in 2014 while women 1,398 EUR in 2014 (see Table 7).

When we look at wage components, we see that only 67% is guaranteed as basic wage, 15% are variable components tied to employee's performance and another 12% are wage compensations⁸. Remuneration in the sector is not strictly related to education attained. People with a university degree earn three times more compared to people with basic education (SSO).

Table 7. The structure of the average wage in the financial sector

Financial and insurance activities	2008	2009	2010	2011	2012	2013	2014
Average gross monthly earnings – total in EUR	1,475.91	1,417.65	1,474	1,556	1,629	1,548	1,673
Median of gross monthly earnings – total in EUR	1,063.87	1,026.40	1,065	1,123	1,188	1,168	1,236
Basic earnings in %	62.64	65.69	66.81	67.20	65.04	70.14	66.60
Special premium payments in %	1.99	1.59	1.58	1.45	1.49	1.43	1.54
Bonuses and allowances in %	16.79	13.34	13.29	13.56	15.76	10.80	13.66
Payments for days not worked in %	11.12	11.37	11.25	11.50	11.49	12.73	11.93
Average gross monthly earnings – men in EUR	2,073.66	2,021.95	2,100	2,207	2,263	2,107	2,310
Median of gross monthly earnings – men in EUR	1,458.20	1,399.63	1,432	1,516	1,574	1,549	1,666
Average gross monthly earnings – women in EUR	1,224.32	1,163.43	1,201	1,269	1,348	1,306	1,398
Median of gross monthly earnings – women in EUR	957.77	937.06	971	1,026	1,077	1,065	1,125
Average net monthly earnings in EUR	1,114.43	1,070.17	1,116	1,162	1,216	1,136	1,227

Source: Statistical Office of the Slovak Republic

2.1.2. Wage setting and wage inequality in the banking sector

Wages in the banking sector are composed of the fixed and flexible wage components. Since retail banking is largely based on performance and profit from sales, flexible wage constitutes a large part of an overall employee's income compared to other analysed

⁸ Not all components of the wage are available in the SSO's statistics, therefore the sum is not equal to 100%.

sectors. The ratio of fixed vs. flexible wage differs across individual companies, but is approximately 70:30 (BANK1).

Wage increase at the sectoral level is negotiated with social partners in sectoral collective agreement (see part on industrial relations) and individual wage increase is tied to employee's performance. It is, however, unclear what constitutes the bases for wage increase at the sectoral level as well as at the company level. Since the banking sector is dominated by multinational companies, domestic banks are "golden eggs" for foreign parents in terms of profit (BANK1, BANK2). Nevertheless, employers are reluctant to increase wages based on national economy and company results. Trade union representatives claim that often, Slovak managers argue with their hands being tied in terms of remuneration of their employees. When agreed in sectoral collective agreement, wage increase is distributed equally for all employees.

The banking sector experiences several challenges in terms of wage inequalities within the sector. In general, inequalities in the banking sector are mostly channelled through internal flexibility in terms of individual bonuses and performance payments, which complicates the ability to measure and compare them. As already mentioned, the gender pay gap (GPG) in the whole financial sector reaches up to 40% compared to an average GPG of 25.29% in 2014, the highest sectoral GPG in Slovakia.

From the trade unions' perspective, the main challenges for wages and wage inequalities in the banking sector can be summarized as follows:

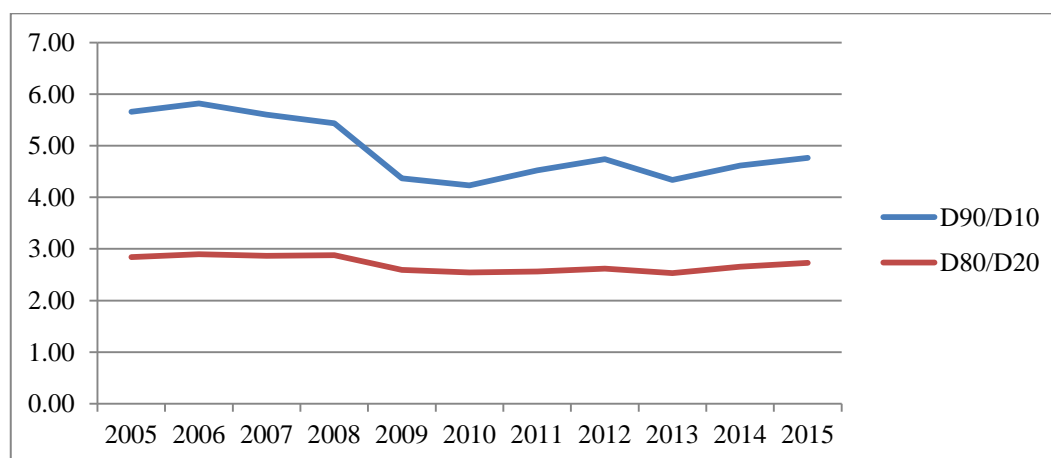
- 1) Inequalities in remuneration of men and women
- 2) Inequalities between old vs. newcomers, who are paid according to the current market price
- 3) Inequalities based on age (between older and younger employees)
- 4) Regional wage inequalities, with lower wages in poorer regions of Slovakia (eastern Slovakia) (BANK1).

The type of contract has no influence on wage inequalities, since there are almost no agreement contracts (for work outside an employment relationship) in the banking sector (BANK1).

Wage inequalities within the sector (as well as organisations) are according to the trade union representatives, the biggest between employees in retail banking (employees serving individual customers) and managerial positions, which are further enhanced by the different standards in wage setting mechanism for domestic vs. foreign parent banks, in advantage of the latter (BANK1).

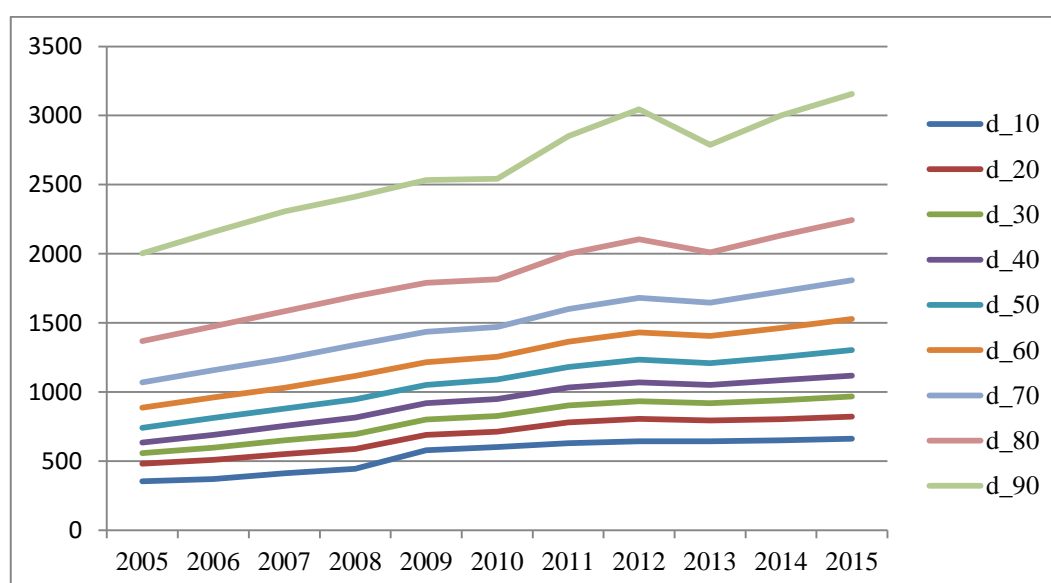
Regarding the bottom and top-decile pay and its rise within the banking sector, we work with data of the Social Insurance Agency, provided in the first part of this report. In the banking sector, wage differences on the very edge of the distribution are growing, but slightly decreasing when 2nd and 8th deciles are considered (see Figure 5 and Figure 6).

Figure 5. Decile ratios in the banking sector



Source: SP (data accessed via Employment Institute), own computation

Figure 6. The development of wage distribution in banking sector



Source: SP (data accessed via Employment Institute), own computation

2.1.3. Industrial relations and wage bargaining in the banking sector

Social partners in the banking sector are well organised (Eurofound 2011). The Trade Union Association of Banking and Insurance Workers (OZPPaP) associates about 4,500 employees from the whole financial sector of which 3,511 members are from the banking

sector⁹. Two separate collective agreements are concluded within the financial sector for banking and for insurance companies (OZPPaP with The Slovak Insurance Association). In the banking sector itself, OZPPaP signs a higher level collective agreement with the Slovak Banking Association (SBA) that unites 28 employers representing more than 99% of the Slovak banking sector (SBA webpage). Sectoral bargaining coverage in the banking sector is about 90% (see Table 8). In addition, social partners conclude collective agreements at the company level.

Table 8. Industrial relations in the banking sector

Trade union	The Trade Union Association of Banking and Insurance Workers (<i>Odborový zväz pracovníkov peňažníctva a poisťovníctva</i> , OZPPaP)
Trade union density with regard to the sector	N/A
Association of employers	The Slovak Banking Association (<i>Slovenská banková asociácia</i> , SBA)
Dominant bargaining level for collective agreements	Sectoral level and establishment level
Sectoral bargaining coverage	90% (Eurofound 2011)

Source: authors

The currently valid sectoral collective agreement was signed in 2014 for the period of three years. Remuneration is addressed in part V. and according to the document, signatory parties agreed on 1.5% year-to-year wage increase for years 2014 and 2015. Separate negotiations for 2016 wage increase should have started by the end of year 2015. Sectoral collective agreement states that for categories of employees with lower wages, wage increase can be set separately in company collective agreements. There are no wage tariffs defined in the sectoral collective agreement.

Addressing the issues of wage inequality, sectoral collective agreement stipulates the equal remuneration of men and women. The document also defines a minimum wage in the banking sector which is 500 EUR for a full-time contract. However, trade unionists see it only as a formality that does not concern any employee in the banking sector. The agreement also specifies different wage benefits (for overtime work, weekend work, etc.) and a possibility of negotiation for extra wages in case of birthday or work anniversary. The agreement ensures that each employee in the sector receives guaranteed wage (basic

⁹ Source: OZPPaP, available at:
http://ozppap.sk/images/spravodajca/Spravodajca%20OZ_7_2015.pdf.

wage plus entitled wage benefits for e.g. overtime work, irrespective of the economic results of the employer)¹⁰.

As declared in the sectoral CBA, OZPPaP started negotiations for a 2016 wage increase at the end of 2015. However, employers from SBA offered 0% or 0.5% wage increase, which was unacceptable for the trade union representatives. Given the differences in opinions of SBA and OZPPaP, collective bargaining headed into proceedings in front of a mediator under § 11 of the Act on Collective Bargaining in February 2016¹¹. The trade union representative suggested in May 2016 that they will most probably agree with employers on a wage increase of 1%, although they do not find it sufficient at all.

2.1.4. Social partners' perspective to tackle wage inequalities in the banking sector

Sectoral collective agreement in the banking sector sets only minimum standards in the sector. The 2015 example of employers' reluctant attitude to commit to wage increase in the sector is a reason why OZPPaP believes that employers sign sectoral collective agreements "not to be accused of non-existing collective bargaining by their foreign parent bank" (BANK1). From the employers' perspective, the banking sector is very heterogeneous in terms of profit and thus, it is difficult to agree on wage increase applicable for everyone (BANK2). In addition, employers quote legislative changes that directly affect the banking sector, such as free bank accounts for people with income lower than 400 EUR, as a result of why they remain "extremely cautious" (BANK2). On the contrary, trade unions criticize that even though banks report increase in their profits, it is not translated into wage increase for their employees (BANK1).

Different standards for domestic subsidiaries and foreign banks are at the centre of trade union's attention regarding any issue in the sector not limited to wage inequalities within the sector. Trade unions argue that in Slovakia, wage setting mechanism and wage increase mechanism differ within the same banking group (e.g. Intesa Sanpaolo). In their view, "when wages are negotiated they [*foreign parent banks*] receive wage increase based on inflation plus 'something' but in Slovakia, it is rarely something" (BANK1). Therefore, OZPPaP aims to equalize the mechanisms of wage setting and the employers' approach to employees in Slovakia and foreign parent banks (*ibid.*). However, this effort is not supported by the trade unionists from abroad since they argue that there is only one financial package available and if Slovaks get more, Italians get less (BANK1).

Addressing the ratio of fixed vs. flexible wage components, employers advocate for lower fixed wages and greater flexibility. On the other hand, trade unions want higher fixed wage that brings security for the employee and lower flexible wage component that is in their view not always paid, or not paid in accordance with the real performance. Again, trade unions' believe that there is a huge difference between the Slovak subsidiaries and

¹⁰ Source: Sectoral collective agreement between SBA and OZPPaP, available at: http://ozppap.sk/images/kolektivne_zmluvy/vyssia_kz_SBA_2014-2016.pdf.

¹¹ Source: OZPPaP's website.

foreign banks which have “better *ratio*” between fixed and flexible wage components (BANK1).

Trade unions argue that the most common complaint from the employees’ side is about wage differences in remuneration of older vs. newcomer employees in spite of having the same position. Often, newcomers have better negotiating position and their starting wage, reflecting the market price, is higher than that of an employee already working in the company. The more experienced employee thus trains the newcomer with no experience but higher pay check. Similarly, employees report to the trade union representatives wage inequalities between younger and older employees. Comparably to the argument about foreign vs. domestic banks, trade unions also report high regional differences in wages of employees working on the same positions, with lower wages in eastern Slovakia and higher wages in western Slovakia (BANK1).

To tackle wage inequalities, OZPPaP proposed to collect statistical evidence on inequalities from all employers associated in the SBA. In addition, on sectoral level they agreed with SBA that all banks have to adopt regulations on wage inequalities after consultation with company trade unions representatives. Regulations shall stipulate concrete procedural steps to tackle wage inequalities at the company level, in case they are reported. Nevertheless, these regulations are not yet adopted and OZPPaP continues its “fight” to tackle wage inequalities reported by the employees in the sector (BANK1, VUB1).

2.1.5. Company case study: VUB Bank (Intesa Sanpaolo)

The VUB Bank (*Všeobecná úverová banka*) is the second biggest in Slovakia. Since 2001, Italian banking group Intesa Sanpaolo, based in Turin and Milan, is the majority shareholder of VUB Bank with a share of 97.02% in the share capital of the company. It provides its services through an extensive branch network, which includes 209 retail branches and 32 corporate branches intended for the operation of SMEs. VUB also operates 11 mortgage centres specializing in the full service associated with the financing of housing. According to the 2014 Annual Report, VUB raised its profit beyond expected numbers and experienced positive business growth¹². In 2016, VUB claims to have 1.2 million clients and 18% market share¹³.

The number of employees is stable and in 2016, the bank employs 3,494 employees in Slovakia. Approximately 2,500 employees work in retail (VUB1). An average gross wage in VUB for 2014 is 1,723 EUR which is slightly higher than the average for all financial sector (see Table 7). Fixed wages are set according to the catalogue of about 180 positions and are defined as ranges. The labour costs in 2014 increased compared to the previous year, which is in line with the sectoral collective agreement in the banking sector.

¹² Source: VUB 2014 Annual Report, available: <https://www.vub.sk/files/sekundarna-navigacia/financne-ukazovatele/vyroczne-spravy/vubvyrocnasprava14.pdf>.

¹³ Source: VUB webpage at: <https://www.vub.sk/sk/o-banke/profil-banky/>.

Table 9. Wages and labour costs (in EUR)

Year	2013	2014	2015*
<i>Number of employees</i>	3,503	3,508	3,493
Wages	(70,390,000)	(72,566,000)	(53,368,000)
Social security costs	(26,672,000)	(26,585,000)	(20,356,000)
Social fund	(837,000)	(1,643,000)	(1,198,000)
Stabilisation of employees program	265,000	433,000	-
Severance pay and working anniversaries reserve	(60,000)	(40,000)	N/A
Restructuralisation reserve	468,000	(56,000)	195,000
Total	(97,226,000)	(100,457,000)	(74,727,00)

* Number for 9 months (September 30, 2015)

Note: negative values are in brackets

Source: VUB 2014 Annual Report, Interim Financial Statements 2015

Company level collective bargaining and responses of social partners to tackle wage inequalities

The bank has two separate committees for remuneration of employees. Since June 2008, the Executive Remuneration Committee operates in VUB. It has four members, including VUB's General Director. The Committee meets twice a year and approves issues concerning employees, in particular the determination and evaluation of key performance indicators (KPI), adjustments of base wages, the overall remuneration policy and changes to the performance evaluation policy. The Remuneration Committee was founded in July 2012 and has three members who are also members of the Supervisory Board. The committee meets at least once a year and its main function is an independent evaluation of the remuneration of selected positions and their impact on risk management, capital and liquidity. It also prepares decisions relating to the remuneration of selected positions, representing interests of the shareholders and investors.

The Council of Trade Union representatives at VUB (members of OZPPaP) operates in the bank and has about 600 members. Trade unionists regularly meet with employer representatives and conclude a collective agreement with VUB at the company level for the period of three years. Unfortunately, the text of the agreement is not available to us (yet). Flexible wage components and a financial package allocated to bonuses is set by the Executive Remuneration Committee. In VUB, there are 15 attachments concerning

performance evaluation defined in VUB's internal regulation, which is part of the CBA and thus accessible to all employees.

Every year (or two if agreed) parties negotiate the wage increase. Nevertheless, trade union representative argues that although in the company CBA signatory parties agreed to increase wages of employees, TUs reported few cases of no wage increase in three years. The employer either argued that employee's individual performance was not sufficient for the increase, or that flexible wage component offers a space for possible higher wage (VUB1).

Concerning wage inequalities, trade union representative claims that VUB's ratio of fixed vs. flexible wage is even more skewed in favour of flexible wage components compared to other banks in Slovakia (VUB1). Wages of employees within the same position differs regionally.

VUB collects the statistical evidence on these inequalities and VUB's trade union representatives have these numbers at their disposal. The authors do not have the permission to access them.

2.1.6. Conclusion

In sum, the banking sector in Slovakia is dominated by multinationals with different wage setting and wage increase mechanisms for subsidiary and parent banks, which is often criticized by the trade unions. Wage inequalities are mostly visible in retail banking and employees report differences in remuneration based on gender (highest GPG in economy), wage inequalities of newcomers vs. internal employees and older vs. younger employees. In addition, regional wage inequalities are reported in the sector. Social partners push for common regulations that would define concrete steps to fight wage inequalities among members of the employers association. Employers declare their will to collect the evidence of unlawful wage inequalities but at the same time, they see flexibility as a driving force to improve individual employee performance and hence performance of whole banking sector.

Wage increases bargained in the sectoral collective agreement are rather low when compared to actual wage increase in the sector. While agreed wage increase for 2013 to 2015 was 1.5% annually, a median actual wage increase based on data from SP was 4% each year¹⁴. Trade unions effort to reduce wage inequalities is limited by the dominance of the foreign banks in Slovakia and thus having a limited impact on actual remuneration rules and wage increases.

2.2. Education

Education is the only public sector covered in this report. In Slovakia, the education system is divided into regional and higher (university) education. The system of regional

¹⁴ Source: own computation based on SP data.

education consists of three levels: pre-school kindergartens, primary schools and secondary schools. Students can pursue three streams of education within secondary education and can choose to attend gymnasia, technical/professional secondary schools, or vocational secondary schools. Secondary schools can be established by state via its municipal office, municipality (town/village), or higher territorial administrative unit (VÚC) after the approval of the central body of the state administration. Schools may also be established by churches, legal entities and private persons. While public education is provided free of charge, church and private schools may charge tuition fees¹⁵. According to OECD, Slovakia has one of the largest proportions of adults with at least upper secondary education (91%)¹⁶.

2.2.1. Employment and wage trends in education

Employment in the education sector is stable and reaches 7.5% of national employment which is 165 ths. people (SSO, 2016, for 2014). More than 127,000 employees worked in regional education in 2014, out of those, 7,385 were employed in gymnasia. The majority of teachers working in public schools have full-time contracts. Part-time contracts account for about one fifth of all contracts and are more concentrated in private and church owned schools.

An ongoing discussion about the low wages in the sector is supported by the statistics provided by the SSO. According to those data, the average wage of employees in the education sector is 813 EUR, which leaves education far below the national average. In an international comparison, wages of teachers in Slovakia are the third lowest of all OECD countries, after Hungary and Estonia¹⁷. Prevalence of women (76% of all teaching staff¹⁸) is visible in one of the lowest gender pay gap in Slovakia, reaching 12.4%. Wage components differ to private sector. While wage compensations in private sectors are relatively low, in education they constitute 15.5% and compensation related to performance only 5.7%. Basic wage constitutes 65% of the wage in education (see Table 10).

¹⁵ Source: Educational System in Slovak Republic, The Institute on Information and Prognosis of Education (UIPS), available at: http://web.uips.sk/download/rs/Educational_system_in_Slovak_Republic.pdf, p. 13.

¹⁶ Source: OECD Education at Glance 2015, available at: http://www.keepeek.com/Digital-Asset-Management/oecd/education/education-at-a-glance-2015/slovak-republic_eag-2015-78-en#page1.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

Table 10. The structure of the average wage in education

Education	2008	2009	2010	2011	2012	2013	2014
Average gross monthly earnings – total in EUR	616.62	663.19	676	686	722	763	813
Median of gross monthly earnings – total in EUR	595.92	634.16	644	649	673	704	747
Basic earnings in %	68.87	69.11	68.23	68.02	67.24	65.98	64.91
Special premium payments in %	8.09	8.56	9.30	9.41	10.08	10.62	11.08
Bonuses and allowances in %	3.64	4.26	4.73	4.56	4.79	5.32	5.65
Payments for days not worked in %	15.21	15.19	15.14	15.37	15.34	15.44	15.47
Average gross monthly earnings – men in EUR	660.86	732.22	744	766	810	853	900
Median of gross monthly earnings – men in EUR	613.56	666.87	678	686	719	752	801
Average gross monthly earnings – women in EUR	601.71	642.31	655	662	696	737	788
Median of gross monthly earnings – women in EUR	589.98	625.19	636	640	662	692	734
Average net monthly earnings in EUR	480.82	524.15	537	539	567	596	632

Source: Statistical Office of the Slovak Republic

2.2.2. Wage setting and wage inequality in the education sector

Salaries of teachers in education are regulated within the Act on Public Service, set by the government. Three separate wage tariffs regulate salaries of 1) non-pedagogical employees 2) pedagogical and professional employees and 3) pedagogical employees in higher (university) education. Table 11 demonstrates wage tariffs for pedagogical and professional employees. Based on their level of education, employees are assigned to a tariff scale with corresponding wage tariff. Each tariff scale has two job levels based on workload and difficulty of the job (2 indicating higher workload).

Table 11. Wage tariffs for pedagogical and professional employees in EUR*

Tariff scale	Job level	Wage tariff
6	1	446.00
	2	477.00
7	1	495.00
	2	529.50
8	1	548.50
	2	585.00
9	1	613.50
	2	655.00
10	1	669.50
	2	714.50
11	1	750.00
	2	800.50
12	1	840.00
	2	896.50

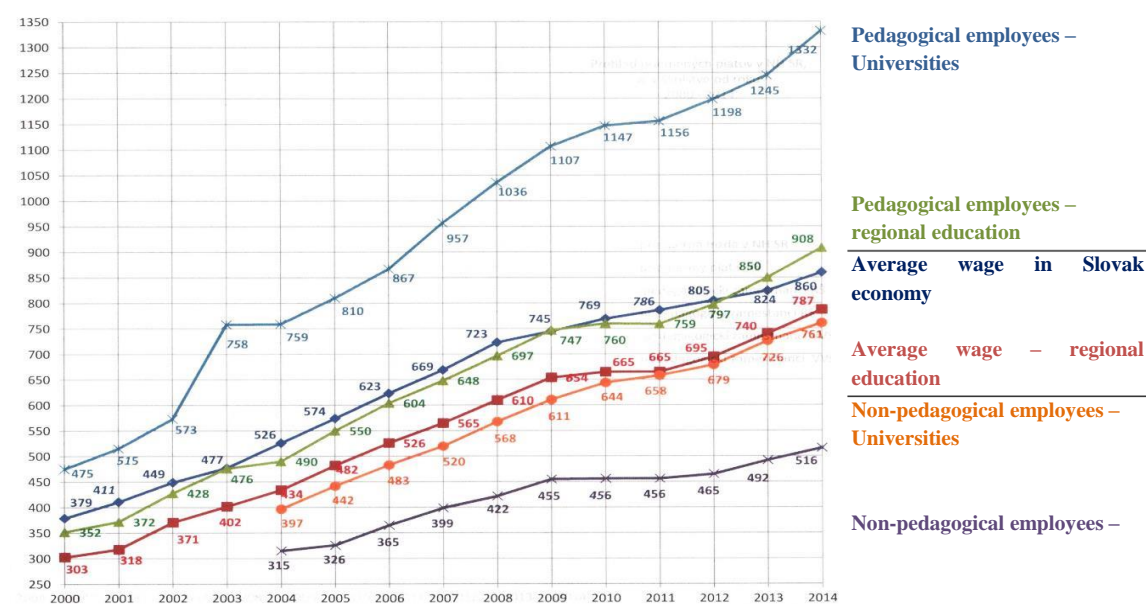
*valid since January 2016

Source: OZPSaV

Usually, an entry-level teacher in regional education is assigned to a tariff scale number 9. To each tariffs scale, bonus payment reflecting years of experience is assigned, ranging from 4.50 EUR up to almost 210 EUR for maximum of 32 years of experience. In addition, teachers can earn bonuses for class supervision, extra-curricular activities, field trips, and similar activities. They can also upgrade their wage after additional professional training (earning credits for attestation).

Figure 7 shows wage developments for different categories of workers in education. As can be seen from the figure, an average wage of a teacher in regional education was 908 EUR in 2014.

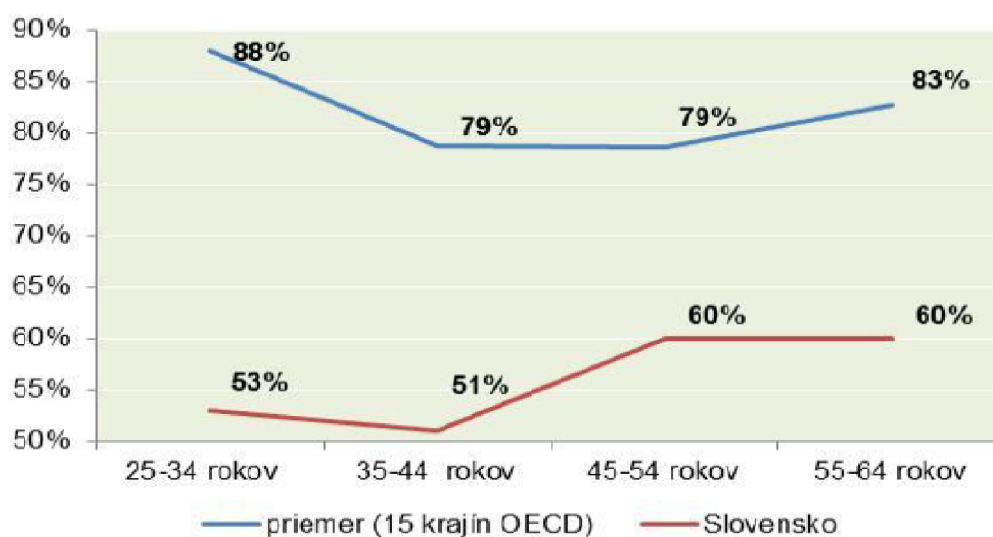
Figure 7. Development of average wage in education (2000-2014)



Source: OZPSaV

At the beginning of 2016, the debate about wages in education intensified as a result of a teacher's strike that demanded a wage increase in education. Actors of the strike as well as representatives of the government almost every day presented different statistical evidence on whether wages in education are below or above the national average, all of them accused of mixing sources of evidence or comparing wrong numbers. Nevertheless, the numbers of both groups show several important facts concerning wage (in)equalities. First, teachers are remunerated according to the wage tariffs and have little space for performance bonuses (5.7% compared to 13.7 in banking). Second, regional differences in wages are very small and teachers earn the same irrespective of the region. Third, the most disadvantaged group of teachers is entry-level teachers, usually young, who earn the lowest wages in the sector (see Figure 8).

Figure 8. The ratio of average wages in education vs. wages of employees with higher education, according to wage groups



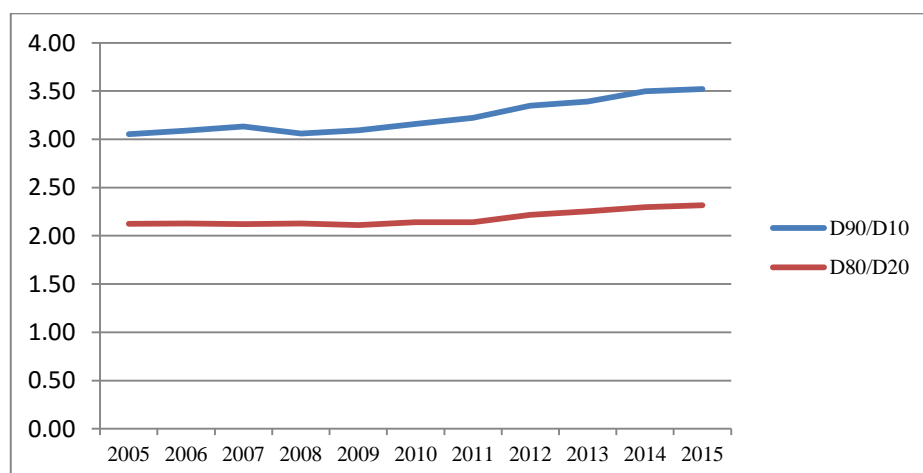
Note: blue indicates average for 15 OECD countries and red indicates Slovakia

Source: IVP 2016 at <http://www.minedu.sk/data/att/9207.pdf>

In addition, there is a discrepancy between minimum wage stipulations and public sector tariffs in Slovakia, which means that certain tariff categories do not meet the respective level of one of the six skill-based minimum wage levels (Kahancová and Martišková 2015). To give an example, a non-pedagogical worker in education assigned to a tariff scale 4 can earn the same wage as a colleague assigned to a tariff scale number 6. Even though their tariff wage differs, they are both below the level of minimum wage and hence, both workers receive minimum wage instead of the wage assigned according to the wage tariff.

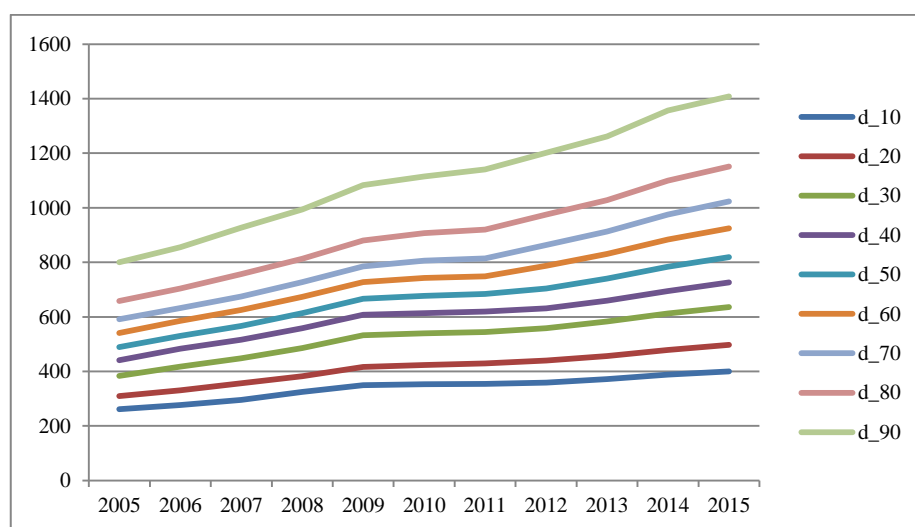
Wage distribution in the sector, according to the actual payments reported by the Social Insurance Agency, is one of the most equal. The decile ratio is 3.5 at the lowest and highest edge but it is pushed down to 2.4 when considered 2nd and 8th decile (see Figure 9). The actual wage level is rather low, the lowest decile being paid is 400 EUR monthly and the 10th decile receiving 1,408 EUR monthly (see Figure 10).

Figure 9. Decile ratios in the education sector



Source: SP (data accessed via Employment Institute), own computation

Figure 10. The development of wage distribution in the education sector



Source: SP (data accessed via Employment Institute), own computation

2.2.3. Industrial relations and wage bargaining in education

The largest teachers' trade union covering all levels of education in Slovakia is the Union of Workers in Education and Science of Slovakia (*Odborový zväz pracovníkov školstva a vedy na Slovensku*, OZPŠaV). A smaller section, of about 1,000 members, from within the Independent Christian Trade Unions of Slovakia (NKOS) represents Christian teachers associated in The Association of Employees in Education and Science, The

Independent Christian Trade Unions of Slovakia (*Zväz pracovníkov školstva a vedy, Nezávislé kresťanské odbory Slovenska*, ZPŠaV NKOS). A new trade union – the New Education Trade Unions (*Nové školské odbory*, NŠO) was created after the series of teachers' strikes demanding wage increases in 2012-2013 by teachers who felt that the old OZPŠaV lacks sufficient capacity to negotiate for wage increases and better quality of education. The employers are associated in several organisations (see Table 12). According to data from MOLSA, in 2013 around 43,479 employees were TU members, which equals to around 26% (MOLSA 2013).

Table 12. Industrial relations in public education

Trade unions	Trade Union of Workers in Education and Science of Slovakia (<i>Odborový zväz pracovníkov školstva a vedy na Slovensku</i> , OZPŠaV) The Association of Employees in Education and Science, The Independent Christian Trade Unions of Slovakia (<i>Zväz pracovníkov školstva a vedy, Nezávislé kresťanské odbory Slovenska</i> , ZPŠaV NKOS) The New Education Trade Union (<i>Nové školské odbory</i> , NŠO)	
Trade union density with regard to the sector	OZPŠaV: around 53,000 members, estimated density: about 37% (Czíria 2011) ZPŠaV NKOS: 976 members (2008), estimated density: N/A NŠO: membership and estimated density N/A	
Employers' associations	Representatives of government, higher territorial units, and towns and municipalities	The Association of Self-governing Schools of Slovakia (<i>Združenie samosprávnych škôl Slovenska</i> , ZSSŠ) The Association of Directors of State High Schools of Slovak Republic (<i>Asociácia riaditeľov štátnych gymnázií Slovenskej republiky</i> , ARŠG SR) The Association of Private Schools and School Facilities of Slovak Republic (<i>Asociácia súkromných škôl a školských zariadení Slovenska</i> , ASSŠZS) The Association of Secondary Professional Schools of Slovakia (<i>Asociácia stredných odborných škôl Slovenska</i> , ASOSS) The Association of Secondary Vocational Schools of Slovakia (<i>Združenie odborných učilišť Slovenska</i> , ZOUS) The Association of Towns and Municipalities (<i>Združenie miest a obcí Slovenska</i> , ZMOS)
	Tertiary education	The Council for Higher Education (<i>Rada vysokých škôl Slovenskej Republiky</i> , RVŠ SR)
Professional	The Slovak Chamber of Teachers	

associations	(<i>Slovenská komora učiteľov</i>)
Dominant bargaining level for collective agreements	Covered in public sector bargaining (collective agreement for the public services) Individual collective agreements at multi-employer level Sectoral fourpartism with the Ministry of Education – without collective agreements
Sectoral bargaining coverage	100% (estimate of Czíria 2011)

Source: authors, Czíria (2011), Kahancová and Sedláková (2015)

The education sector participates in public sector bargaining. The official partner for negotiations is OZPŠaV as a member of the Confederation of Trade Unions of the Slovak Republic, KOZ SR. In the public sector, sectoral collective agreement is signed between the employers and KOZ SR, NKOS and VSOZ (General Free Trade Unions) and covers also employees in the education sector. Collective agreements can also be signed at the company level. In late 2014, social partners have agreed on a collective agreement for 2015, which includes a 1.5% increase in wages for public service employees. A current valid collective agreement for public sector employees stipulates a 4% wage increase starting January 1st, 2016.

In addition to public sector bargaining, independent social dialogue in education also exists, however, sectoral collective agreement is not concluded. In 2010, on the recommendation of the European Commission, OZPŠaV signed an agreement with employers in which they agreed to create a national working group on sectoral social dialogue in education (*Národná pracovná skupina pre oblasť sektorálneho sociálneho dialógu v školstve SR*, NPS). In 2012, a new platform for sectoral social bargaining was created – the educational fourpartism (*Školská štvorpartita*) with four members, representing trade unions (OZPSaV), employers, representatives of regional self-governments and the Ministry of Education. In its first meeting in May 2012, social partners discussed the government program and the legislative objectives of the Ministry, which determined the agenda of future negotiations (Kahancová and Sedláková 2015).

2.2.4. Social partners' perspective to tackle wage inequalities in the education sector

Trade unionists from OZPŠaV do not consider wage inequalities as an issue in the education sector since wages are “strictly set” by the law. In addition, wage bonuses based on years of experience and/or additional professional training are also defined, which in their views make the remuneration process of teachers very transparent compared to other sectors of economy. However, they criticize the discrepancy between minimum wage stipulations and public sector tariffs call for adjustments to the tariff

systems so that no employee could be assigned to the tariff scale lower than the minimum wage.

Similarly, regional differences of wages in education are very low which is something positive in OZPŠaV's view. In their words, "teacher's performance is the same, do we teach differently in Medzilaborce [*eastern part of Slovakia*] and in Bratislava?" (EDU1). Thus, if in other sectors of the economy regional differences in wages were criticized by the trade unionist (e.g. in banking sector), in the education sector trade unionists support the same wages across the whole of Slovakia.

Nevertheless, the picture looks less bright among the teachers in the Bratislava region, where the majority of secondary schools remain closed because of the ongoing teacher's strike. In January 2016, the Slovak Chamber of Teachers became an important actor by influencing public debate and social dialogue in education. The Chamber led by a so-called "Initiative of Bratislava teachers" organized a series of teacher's strikes, calling for higher wages in education and claiming that the 4% wage increase for 2016 negotiated by the OZPŠaV is not sufficient. The strikes are largely supported by the general public, NGO's, political parties and well-known public figures who joined teachers in several public demonstrations. Broader debate about quality of education is at the center of media attention and according to the media, the spill over effect results in planned strikes of university teachers.

The Ministry of Education called the strikes "pre-election political action". Since OZPŠaV did not support strikes, striking teachers are according to the Ministry, on their own and not covered by any organization. The current Minister of Education, Juraj Draxler, called the strikes unprecedented in comparison to western democracies, where strikes are always organized by the trade unions. OZPŠaV argued that although they support positive changes in the education sector and higher wages for teachers, they cannot sign an agreement in October 2015 and then strike in January 2016.

The new actor actively entering the arena previously reserved for trade union representatives shows several important developments in the education sector in Slovakia. First, it challenged the legitimacy of traditional trade union representatives and brought questions whether and how trade unions represent the interest of their members. Second, it showed the limitation of social dialogue in education where legal acts stipulating wages of teachers play a crucial role. In addition, it opened the debate on new ways of remuneration for teachers in spite of a lack of support from the TUs, alternative concepts calling for regionally differentiated wages emerged¹⁹.

2.2.5. Conclusion

In sum, wages in the education sector are relatively equal, regulated by the tariffs set by the government which consequently influences social dialogue in the sector. As a result, social partners predominantly focus their activities on influencing legislative changes at the national level when addressing salaries in the sector. An ongoing teachers' strike in

¹⁹ Source: IVP, at: <http://www.minedu.sk/data/att/9207.pdf>.

Slovakia challenges wage equalities in the sector and opens discussion about better remuneration policy for workers in education.

The most remarkable problem is the wage level being low and very equal when we consider regional differences (mentioned in the first part of this report). Trade unions address this issue mostly via public sector collective bargaining which, however, does not provide sufficient space for more radical wage increases. As a result, in 2016 teachers showed discontent, established new trade unions and held strike separately from the traditional trade unions. This points out the urgent need to increase wages in the sector.

2.3. Metal

The metal sector belongs to the most important economic sectors in Slovakia. In particular, the automotive industry is strategically important for the country's economy and labour market. Production of motor vehicles is the strongest division of the Slovak metal industry and experienced rapid growth during the 1990s and the 2000s. With 540 thousand automobiles produced each year, during the second quarter of 2015, Slovakia became the world's largest producer of motor vehicles per capita (OICA database 2016). In 2010, the automotive industry accounted for 27.5% of total industrial revenues and 74% of total manufacturing revenues in Slovakia (Pavlínek 2012). However, because of its highly export-oriented character, the sector is vulnerable to changes in global economic cycles, market demand and economic downturns. As an immediate effect of the economic crisis, production dropped slightly (by 4,208 mil. EUR) in 2009 compared to the previous year (ibid.). Other divisions of the metal industry directly or indirectly linked to automotive production also faced a decline in production and employment after the crisis.

Production of motor vehicles in Slovakia is represented in particular by three large automotive producers: Volkswagen Slovakia (established in Slovakia since 1991), PSA Peugeot Citroën and KIA Motors (both established in Slovakia since 2006). Since 1991, Volkswagen has become one of the major manufacturing corporations with a leading position in Slovak export and the highest number of employees within the automobile industry. This important investment also brought with itself the demand for component suppliers for the automotive industry, attracting several renowned international suppliers to establish their plants in Slovakia.

2.3.1. Trends in employment, wages and wage distribution

The automotive industry is part of the industrial sector, more specifically of mechanical engineering (SK NACE 29 – Production of motor vehicles). Employment particularly in the automotive sector was growing until the crisis, then declined but stabilized relatively

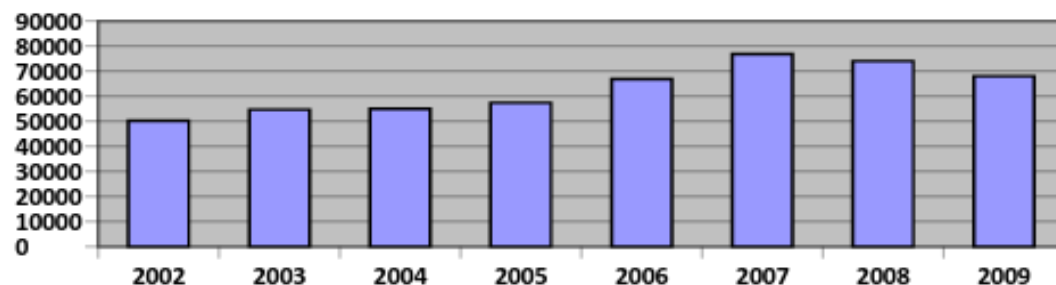
fast in the early post-crisis years. The share of automotive industry employment in the total economy reached about 2.7% in 2014²⁰.

From an employment perspective, the recovery from the crisis did not occur through massive layoffs, but companies sought to maintain their skilled workforce through more flexible employment forms. The most important policy measures after 2009 included temporary flextime accounts (*flexikonto*), non-prolongation of fixed-term contracts and an increasing use of temporary agency work (Czíria 2012; Kahancová and Martišková 2015). Flextime accounts were first introduced at Volkswagen Slovakia, before becoming part of a sector-level collective agreement in mechanical engineering (subsector of metal covering also automotive firms) and the 2009 Labour Code amendment. While flexikonto has been the most important crisis response tool at Volkswagen, PSA Peugeot Citroën introduced it only after the legislative stipulation in 2009. KIA Motors have not used this flexibility scheme but started considering its implementation in 2015.²¹

Different sources provide different employment figures, below we list the sources of the Automotive Industry Association of the Slovak Republic (ZAP SR) for employment before and during the crisis (see

Figure 11), Eurostat data for the post-crisis years (see Table 13) and quarterly data from the Slovak statistical office (ŠÚSR) for the most recent years (see Table 14).

Figure 11. Employment in automotive industry before and during the crisis



Source: ZAP SR

²⁰ Source: Eurostat.

²¹ Source: interview with ZAP SR representative (not part of the NEWIN interview list), July 2015.

Table 13. Employment in the automotive sector yearly averages), in thousands*

	2008	2009	2010	2011	2012	2013	2014
Thousands of employees	80.0	66.9	65.3	86.1	93.3	89.4	90.3

* The data cover NACE Rev. 2 Division 29 on motor vehicles, trailers and semi-trailers. This division includes the manufacture of motor vehicles for transporting passengers or freight, the manufacture of trailers and semi-trailers, and the manufacture of various parts and accessories²². Employment data include all forms of employment at employer including part-time workers, seasonal workers, persons on strike or on short-term leave, while volunteers or workers on long-term leave are excluded. Temporary agency workers are excluded.

Source: Eurostat, 2016

Table 14. Average employment in the automotive sector (SK NACE 29) – quarterly data

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Average employment	61,952	60,209	60,486	61,162	62,417	64,096

Source: ŠÚSR

Average wage in the industry as a whole reached 992 EUR in 2014, with a gender pay gap of 30%. The variable part of the wage is around 20%, another 12% are wage compensations (ŠÚSR, 2014). In the automotive industry, average wages substantially increase the average wage in the industry (see Table 15).

Table 15. Average wage in the automotive sector (SK NACE 29) – quarterly data

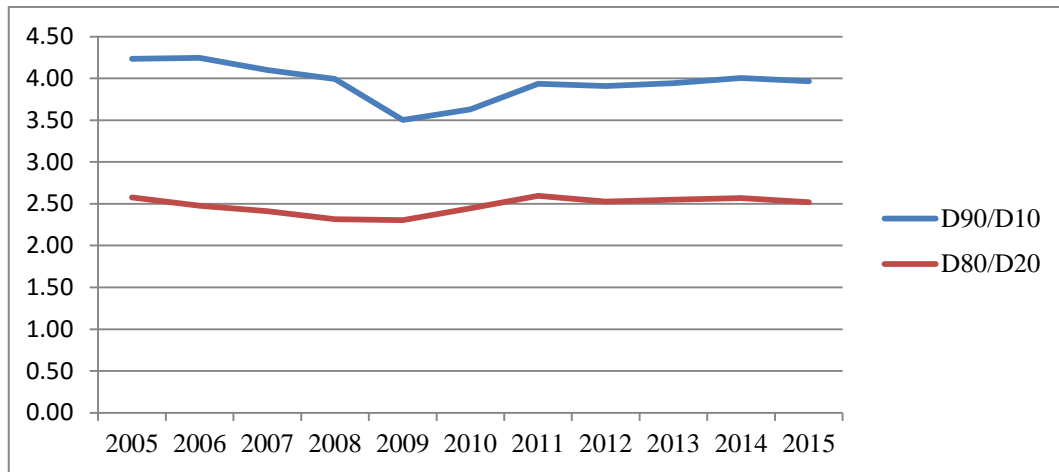
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Average wage (EUR)	1,027.49	1,236.6	1,082.34	1,205.85	1,060.98	1,280.29

Source: ŠÚSR

Based on administrative data from SP on automotive industry, bottom decile wages are four times lower than top decile wages (Figure 12). Median wage reaches 1,000 EUR monthly (Figure 13).

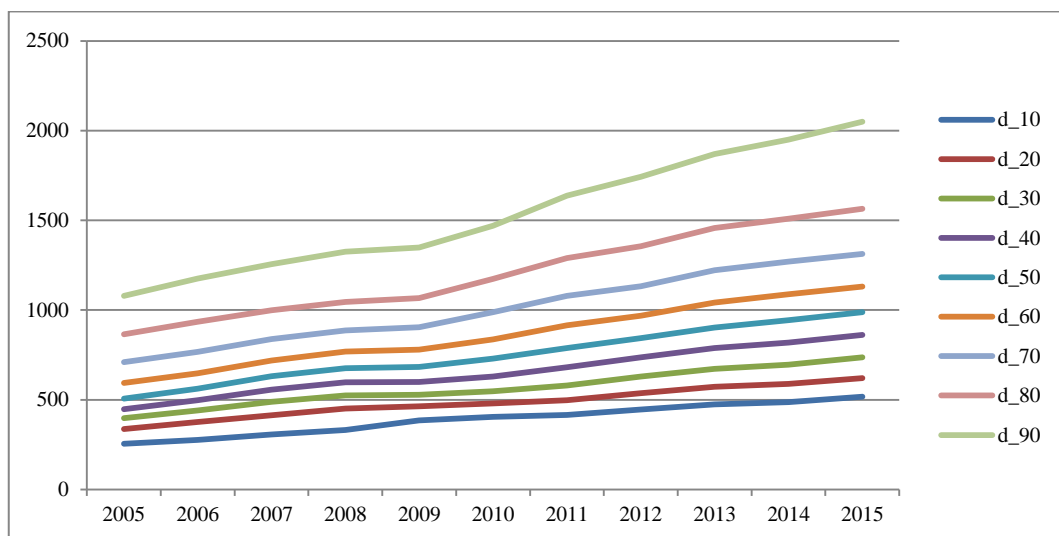
²² Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Manufacture_of_motor_vehicles,_trailers_and_semi-trailers_statistics_-_NACE_Rev._2.

Figure 12. Decile ratios in the automotive sector



Source: SP (data accessed via Employment Institute), own computation

Figure 13. The development of wage distribution in the automotive sector



Source: SP (data accessed via Employment Institute), own computation

2.3.2. Industrial relations and wage setting mechanisms in the metal/automotive sector

Actors

Trade Union Federation KOVO (*Odborový zväz KOVO*, OZ KOVO) is the dominant sector-level trade union active in the metal sector, covering also employees in the automotive industry. OZ KOVO had 112,516 members in 2013 (MOLSA 2014) in the whole metal sector organized in 430 base or company-level organizations (*základné organizácie*). Base organizations operate relatively autonomously in company-level bargaining issues, while OZ KOVO participates in sector-level bargaining. In 2011, unionization rate reached about 75% at Volkswagen, approximately 25% at PSA Peugeot Citroën and 19% at KIA Motors.²³

Besides OZ KOVO, the General Free Trade Union Association (*Všeobecný slobodný odborový zväz*, VSOZ) is a small trade union concluding a multi-employer agreement covering six companies in mechanical engineering and electronics.

On the employers' side, there are several organizations that directly participate or at least indirectly influence bargaining at sector level. The Automotive Industry Association of the Slovak Republic (*Združenie automobilového priemyslu Slovenskej republiky*, ZAP SR) was established in 1993. Although ZAP SR is currently not directly involved in any bargaining structures, it is a powerful organization and an important player in Slovak industrial relations that has shaped the development of employers' associations and bargaining processes. For wage bargaining and the conclusion of sectoral collective agreements, ZAP SR has mandated the Federation of Mechanical Engineering of the Slovak Republic (*Zväz strojárskoho priemyslu SR*, ZSP SR), established in 1990, to bargain also on behalf of the automotive industry. ZSP represents employers' interests vis-a-vis the sectoral union and also the government. Finally, the Association of Mechanical Engineering and Electronics Industry (*Asociácia strojárskoho a elektrotechnického priemyslu*, ASEP) serves as a small employers' association that bargains a multi-employer collective agreement with the VSOZ, covering six smaller firms in the sector, but none of the large automotive producers.

In 2005, several influential employers' associations, including ZSP SR, established the Slovak Industry Association (*Zväz priemyslu*, ZP). Its primary goals are to support the mutual interests of its members in the field of industrial policies, social policies, R&D and education. While ZP is not member of any peak-level employers' associations, it plays an important role in policy issues within the so-called Industry Tripartism Roundtable at the national level.

²³ Source: interviews with social partners within FP7 project GUSTO (Brngálová and Kahancová 2010) for Volkswagen and PSA Peugeot Citroën; interview with the base trade union organization at KIA Motors (2016).

Wage bargaining procedures in the automotive sector

A particular long-term development in industrial relations in the sector is the increasing role of company-level bargaining and at the same time the sustainability of sector-level wage bargaining. Currently there are two sector-level agreements in mechanical engineering: between OZ KOVO and ZSP SR, and between ASEP and VSOZ. However, only the former one includes wage tariffs and covers automotive firms, while the latter one stipulates only the sectoral minimum wage and refers to companies' individual responsibility to adopt a remuneration policy and possibly define wage tariffs. The view of the interviewed chief negotiator of OZ KOVO on the latter agreement was that this agreement emerged after several employers wished to opt out of the main sectoral agreement (OZ KOVO and ZSP SR), especially because of detailed sectoral wage tariffs²⁴. Current collective agreements at the sector-level do not include opening or hardship clauses and only formulate binding provisions. Therefore, concluding a separate collective agreement, as in the case of ASEP and VSOZ, was the only way how to opt out from the wage tariffs and other provisions specified in the 'main' sectoral agreement.

The main sectoral agreement between OZ KOVO and ZSP SR is outstanding because it is one of the very few sectoral agreements that include specific wage tariffs in Slovakia. This system of sector-level wage setting has been introduced to sector-level bargaining already in the 1990s and still persists, without pressures from social partners to switch to another mode of wage setting. Initially, the Slovak labour code also included 12 scales for minimum wages, which were later reduced to 6 scales; but the sectoral agreement in mechanical engineering continues to use the 12-scale tariff setting, which better suits the sector's needs and the placement of employees in a particular scale according to their job content, education and experience²⁵.

While both the sector and company level bargaining are important for wage setting, there is a lack of coordination between them. The sustainability of this dual bargaining structure is justified for large car manufacturers because wage tariffs set in company-level collective agreements significantly exceed the tariffs set in the sectoral agreement (see Table 16 for a comparison between sector-level tariffs and company-level tariffs at Volkswagen Slovakia). In smaller firms within the sector, company-level wage setting is more closely influenced by the sectoral tariffs.

²⁴ Source: interview METAL1, 2.12.2015 (see overview table of interviews).

²⁵ Source: interview METAL1 (2.12.2015) and METAL2 (1.12.2015).

Table 16. Wage tariffs in the sectoral collective agreement (mechanical engineering, covering also the automotive industry) and in Volkswagen Slovakia

Tariff scale	Tariff wage – sectoral (2014-2016 collective agreement)*	Tariff wage – Volkswagen Slovakia (as of 1.6.2014)	Tariff wage – Volkswagen Slovakia (as of 1.1.2015)
1	365	633	648
2	375	686	702
3	410	745	762
4	445	810	829
5	480	881	901
6	520	959	981
7	565	1,045	1,069
8	610	1,141	1,167
9	650	1,246	1,275
10	700	1,361	1,392
11	760	1,492	1,526
12	820	1,638	1,676

* The first two tariff scales in the sectoral agreement are below the statutory minimum wage. For workers in this tariff category (according to skills and job content), the employer is obliged to cover the difference between the sectoral tariff and the statutory minimum wage through non-tariff parts of wage²⁶

Source: sectoral collective agreement for the mechanical engineering sector (2014-2016), company-level collective agreement at Volkswagen Slovakia (2014-2016)

In late January 2016, OZ KOVO and ZSP SR signed an amendment to the valid sectoral collective agreement, stipulating a wage increase. This increase accounts in average to 2.6% increase, or an average increase of 14 EUR for each tariff scale²⁷. This amendment derived from negotiations between the social partners on the mode of increasing tariff wages- whether through an average percentage increase calculated across all tariffs, or through particular increases applied to each tariff separately. The long-term approach of negotiators on both sides of this issue is alternating these two methods of wage increases in subsequent rounds of collective bargaining²⁸.

²⁶ Source: interview METAL1, 2.12.2015.

²⁷ Source: website OZ KOVO, www.ozkovo.sk [accessed 8.2.2016].

²⁸ Source: interview METAL2, 1.12.2015.

2.3.3. Role of collective bargaining in shaping wage inequalities at sector level

The interviewed respondents perceive the metal sector, and especially the car manufacturing subsector, as one with very low inequalities. This is because of the existence of sectoral tariff scales and the allocation of workers to these scales, which is a regular and most important subject of sectoral collective bargaining. Therefore, collective bargaining plays a key role in shaping wage (in)equalities in the metal sector and automotive subsector. The most important impact of bargaining is through preventing inequalities that could otherwise occur through the tariff wage setting system. Sectoral bargaining is used to adjust these tariffs through annual negotiations in order to reflect economic trends and prevent a growing gap in wage growth between employees placed in lower and higher tariff scales. Adjustments to tariffs are made in three alternative ways²⁹:

- Each tariff scale is increased by the same fixed amount (equalizing effect, lower tariffs are increase by a relatively higher percentage than the higher tariffs)
- Each tariff scale is increased by the same percentage (tariff differences preserved)
- Tariffs are increased on average by a certain percentage or a certain amount (equalizing effect, not each tariff scale grows equally, e.g. in 2014 a 16 EUR average increase, in 2016 a 14 EUR average increase – see above)

In the 2014 bargaining round³⁰, trade unions requested an increase of each tariff scale by the same fixed amount, based on economic outcomes (very low inflation levels, almost deflation, GDP growth, shortage of skilled personnel in the industry, societal request for wage growth). Employers in general opposed this method of tariff adjustments, but in the mechanical engineering agreement, social partners managed to reach an agreement so far in each bargaining round. There is an agreement between the bargaining parties to alternate between the three modes of tariff increases each year. If wage increase to tariffs happened for several years in a row through a percentual increase, there is a mutual agreement that in the following year, increases will be realized through an equal fixed sum to each tariff. This has an equalizing effect and prevents an extensive divergence between the tariff scales.³¹

The tariff system in sectoral bargaining has an equalizing effect also on possible inequalities related to gender and regional differences. Through the extension of collective agreements, the tariff system also has an equalizing effect on wage levels between companies organized in employers' associations and companies that are not part of associations.

²⁹ Source: interview METAL2, 1.12.2015.

³⁰ While collective agreements are concluded for 2-3 years, adjustments to wage tariffs are bargained on annual basis. Source: interview METAL2, 1.12.2015 and Podnikajte – website with legal information, <https://www.podnikajte.sk/pravo-a-legislativa/c/2445/category/zakonne-povinnosti-podnikatela/article/kolektivne-zmluvy-2015.xhtml#sthash.OndKk1ow.dpuf> [accessed 9.2.2016].

³¹ Source: interview METAL2, 1.12.2015.

2.3.4. Sources of inequality in the sector

Despite the detailed tariff system and an important role of collective bargaining for reducing inequalities through this system, several sources of inequalities in the metal/automotive sector are identified. First, these derive from the fact that the sectoral tariffs are considered minimum standards, and the actual wages paid in companies can show large discrepancies. While the three large automotive manufacturers developed their own pay scales (see table 17 above for a comparison in tariffs between the sector-level regulation and company-level regulation at Volkswagen Slovakia), trade unions see a source of inequality between these large manufacturers and smaller companies that serve as their subcontractors. There are also regional differences in pay levels. Trade unions try to monitor these differences and make sure that regionally based inequalities within the same company (e.g., operating two branches in different regions) do not occur. Initially Volkswagen Slovakia also had two different tariff systems for its factories in Bratislava and in Martin, but in the crisis period these systems have been unified for the company as a whole. While this step resembled a wage increase for employees in Martin, the management representative claimed this step unrelated to the recent opening of the Kia Motors plant in the vicinity of Volkswagen's Martin plant (and possible staff shortages in the region)³².

The largest source of possible wage inequalities in the sector derive from the high share of temporary agency workers (TAWs) in the Slovak automotive industry. Temporary agency workers are neither covered by the sectoral agreement nor by company-level agreements. The difference between TAWs and regular workers is more pronounced in smaller supplier/subcontractor firms than in large automotive manufacturers³³. One of the ways to demonstrate that TAW was abused in order to avoid taxes and social security contributions was a regular wage replacement with travel reimbursement payments (Kahancová and Martišková 2015). All of the few complaints on wage inequality that OZ KOVO received in the past years were related to TAW and the payment of travel reimbursements instead of regular wages³⁴. This practice has been banned after a legislative change in the Labour Code from 2015. Also, the legislation stipulates non-discrimination in wages between regular employees and TAWs. Despite the legislative efforts to decrease the inequalities between regular employees and TAWs, some further sources for differences exist at the company level. This derives from the fact that TAWs are not covered by company-level collective agreements stipulating company-specific wage tariffs, bonuses and other benefits.

Next, a possible source of inequality identified by trade unions is the common use of flexible working accounts (currently used in Volkswagen and PSA Peugeot Citroen, but not Kia Motors). *Flexikonto* (a flexible working account) has been introduced as a measurement against the effects of global financial and economic crisis. When the production is declining workers work less and still get their basic wage, and later when

³² Source: interview VW1, 15.1.2016.

³³ Source: interview METAL1, 2.12.2015.

³⁴ Source: *ibid.*

the production is on its rise, they will work off their negative hours. Trade unions have a co-determination right on flexikonto provisions at the company level, but remain critical about the length of flexikonto. The current legislation stipulates 30 months during which the working hours of the employee have to be cleared in the flexikonto scheme. Unions find this period too long and demand a maximum of 12 months for flexikonto, while employers would prefer to extend the current 30 months to an even longer period³⁵. Unions argue that in such flexible working schemes, the transparency to follow whether non-discrimination and wage equality applies is low; and overtime payments are lost when the employees work off their extra hours from previous periods when they did not work due to low production. While the impact of flexikonto on wage inequalities has not been systematized, it remains one of the key sources of possible inequalities in the otherwise highly organized and equal sector because of its tariff regulations.

Finally, sources of inequality that the interviewed social partners recall include minor issues such as individual performance pays, bonuses or non-tariff parts of the wage, which are decided at the individual discretion of line managers and higher-level managements in companies. Despite these issues, both the sectoral trade union and the employers' association ZSP SR maintain that inequalities are minimized in the sector because of tariffs, job descriptions and legal regulation on non-discrimination e.g. based on gender.

2.3.5. Responses of social partners on inequalities

The role of social partners in shaping the above sources of inequalities mainly occurs through their active involvement and commitment to the wage tariff negotiations. However, earlier research shows that social partners indirectly contributed to inequalities especially in the immediate post-crisis period (Kahancová and Martišková 2011 – BARSORI report). In particular, the sectoral collective agreement attempted to reflect on the post-crisis overproduction through employment guarantees for skilled workers in the automotive industry. The strong trade union interest in maintaining sectoral bargaining overruled the unions' interest in representing TAWs. This underlying strategy of unions, supported by employers, contributed to widening the gap between workers with standard employment contracts and TAWs (Kahancová 2013). More pressures for regulation of the wage levels and working conditions of TAWs emerged only in the post-2011 period, when unions saw an opportunity to represent this group of precarious workers in the automotive industry. At the same time, there were increasing pressures of large temporary agencies and their associations to regulate the TAW sector and thus minimize social dumping in agency work. As a result, legal measures were adopted to improve the rights of TAWs (e.g., non-discrimination, only regular employment contracts used, responsibility for wage payments of the end user employer, capital requirements on temp agencies, etc., see Kahancová and Martišková 2015, BARSORIS report). The non-

³⁵ Source: interview with ZAP SR representative, July 2015, not part of the NEWIN interview structure.

coverage of TAWs by sectoral and company-level collective agreements in the sectors in which TAWs work however remain a main source of inequality between TAWs and regular employees.

2.3.6. Company case study: Volkswagen Slovakia

Volkswagen Slovakia (VWS), part of the German Volkswagen, is the largest automotive producer in Slovakia. The company operates in Slovakia since 1991 and currently has three locations in the country. In 2013, VWS produced 426.313 passenger vehicles in Slovakia. Production dropped to 394.474 cars in 2014, whilst the production of gears and components increased between 2013 and 2014³⁶. The structure of car production has been changing throughout the past decades; the current focus of the Slovak Volkswagen sites embrace high value-added products including all road (SUV) cars, which increase demands on workers' skills and qualifications. In 2013, the company employed 9.400 employees, with a slight increase in 2014 to 9.900 employees³⁷. In late 2015, personnel management reported 10,800 employees and about 1,700 TAWs³⁸. About 900 of the 10,800 employees are located in the Martin plant, the rest in the Bratislava plant. A single trade union, a base organization belonging to OZ KOVO, represents employees at VWS.

Company-level wage setting policy at Volkswagen Slovakia, the role of trade unions and collective bargaining

While VWS is not fully independent in all its decisions, in the local wage setting policy, applicable to the majority of employees that are all allocated to one of the company-specific wage tariff scales, VWS enjoys extensive freedom from the influence of headquarters³⁹. Harmonized wage setting systems between headquarters and VWS exist only for higher management levels (concerning about 120 employees at VWS). Also, VWS does not coordinate its wage setting policy with PSA Peugeot Citroen or Kia Motors in Slovakia. There is however some influence, because VWS was the first car manufacturer established in the country and a share of human resource managers that previously worked for VWS have implemented some of VWS's wage policy issues in their current employers after changing jobs for PSA or Kia.

VWS contracts regular wage analyses by renowned consultancy companies to compare the tariff wage levels with comparable firms in the market. These analyses show that in the lower part of the tariff wage levels, applicable mostly to production workers, wages at VWS significantly exceed the sectoral benchmark and largest competitors. In the upper

³⁶ Source: internal company material, received during the VW1 interview.

³⁷ *Ibid.*

³⁸ Source: VW1 interview, 15.1.2016.

³⁹ Source: interviews VW1 and VW2, 15.1.2016.

part of the tariff table, applicable to middle management, wage levels are closer to competitors⁴⁰.

There are two basic principles in VWS's wage setting policy. First, the existence of a clearly regulated tariff system through a company-level collective agreement and long-established mechanisms for determining base wage, performance pay, and individual and group bonuses, with trade union co-determination. This detailed system describes all wage setting procedures and the unions' codetermination therein in great detail and leaves little room for ad hoc inequalities. Second, the management and the union share a view that wage differentiation is justified and necessary. In the words of VWS's personnel manager responsible for wage policy, "each work has its price and the price for work is different. Particular tasks contribute to the company's value added in a different extent. This means it is logical that they cannot be equally remunerated. If this is how wage inequality is understood, then in our view this is not inequality, but standard equality. We are trying to relate each part of the wage to the job content, so that wages correspond to the creation of value added. This is reflected in the allocation of each employee to a particular tariff wage scale"⁴¹.

The company-level collective agreement stipulates six parts that comprise the employees' wage:

- Tariff wage scale – according to the currently valid 12 tariffs (see table 17 above)
- Employee evaluation – individual and group evaluation
- Wage benefit according to the annual economic performance of the company
- Contribution to holidays and Christmas pay (called also the 13th and 14th salary)
- Wage benefits and compensations, e.g. for overtime work, for night work, for weekend work, work during public holidays, etc.
- Wage benefit for innovativeness
- Other surcharges/benefits

The collective agreement defines very specific criteria on each of the above points, some of which derive from legislation (e.g., wage benefits and compensations), while others are exclusively a result of the company's wage setting policy and the co-determination of the trade union. This mechanism largely preempts the chances for emerging inequalities in the company's approach to wage setting.

Trade union involvement in wage setting policies is extensive through the union's codetermination role, which is mostly concentrated in the annual or bi-annual bargaining rounds. Management perceives the role of trade union as a responsive one, with little direct initiatives from the union representatives. At the same time, the union perceives its role as relevant in monitoring wage setting procedures and equality and requesting necessary adaptations. One issue that the union is critical about is the fact that the wage setting system has been adopted over 10 years ago and it does not flexibly react to changes in demand for skills and qualifications that change with the changing production

⁴⁰ Source: interview VW1, 15.1.2016.

⁴¹ Source: interview VW1, 15.1.2016.

(and value added of produced vehicles)⁴². The union would welcome a more detailed tariff scale, including for example 16 levels instead of the current 12 levels.

Other than the formal bargaining rounds, management report only few occasions when unions tried to influence or modify the wage setting system. One of the recent examples (in 2014) includes the union's suggestion to shift employee allocation to particular wage tariff scales up by one scale⁴³. This suggestion came after a 2% wage increase to tariffs agreed in the company-level collective agreement. A shift upwards by one tariff scale would mean that the current first scale would cease to exist, and the scale would start with the current level 2. From the company's financial perspective, such a shift would produce a 10% wage increase, which was not acceptable.

Despite the role of the union and the role of collective bargaining for defining the exact wage setting procedures, the union representative does not consider bargaining an important tool for shaping wage levels and inequalities. This is because the union would prefer a kind of social partnership in which frequent negotiations are not necessary to define wages, or a system in which wages are defined for a longer period of time. Since this is not available, unions consider collective bargaining an acceptable tool for regulating wages and wage inequalities⁴⁴.

Remaining sources of inequality

In this highly organized wage setting system, the remaining sources of possible inequalities derive, first, from the influence of individuals on the non-tariff parts of wage (e.g., personal bonuses determined by line managers, but also influenced by the worker's characteristics – presence at work, discipline at work, etc.); and second, from the exclusion from bargaining coverage. The latter is relevant namely for TAWs. While the company applies a (legally stipulated) non-discrimination policy vis-à-vis TAWs, the fact that TAWs are not covered by the company-level collective agreement leaves this group of persons working at VWS without a clear regulatory mechanism for non-tariff parts of wage setting, determination of bonuses, additional pays, surcharges and benefits derived from the company's social fund.

In sum, VWS is a company with very detailed wage stipulations, and both management and the trade union agree there is little room for the emergence of inequalities. Still, both sides maintain that differentiation in wages (not defined as 'inequalities') are necessary and healthy in the company. In the past years of the company's operation, collective bargaining played a major role for determining the current wage setting system, with active codetermination of trade unions. This also means that while collective bargaining helped in achieving a highly structured and institutionalized wage setting system, the current role of bargaining is less important as in the initial phases, and plays a controlling and sustainability function in preserving the current system and its piecemeal adjustments to economic changes in the sector, labour force and type of production.

⁴² Source: interview VW2, 15.1.2016.

⁴³ Source: interview VW1, 15.1.2016.

⁴⁴ Source: interview VW2, 15.1.2016.

2.3.7. Conclusion

In sum, the metal/automotive sector not only plays an important role in the Slovak economy, it is also outstanding because of persistence of sector-level wage bargaining and the stipulation of wage tariffs. These significantly contribute to the reduction of wage inequalities and place collective bargaining among important mechanisms that shape wage differences beyond legal regulation and individual decisions of employers. The existing sources of inequalities in the sector derive from the gap in company-level pay systems between large foreign car manufacturers and their smaller local suppliers, some regional differences, and differences between regular employees and TAWs not covered by sectoral or company-level collective agreements.

Wages in the metal sector are on average higher than the national average, however, an increasing use of flexible forms of employment contributes to wage diversification in the sector. Wage inequalities stagnate in the post-crisis years, which appears to be a result of conscious activities of the trade unions in sectoral collective bargaining.

2.4. Retail

The retail sector is dominated by multinational companies providing their services in hypermarkets and supermarkets. Those companies are among the biggest employers in Slovakia (see Table 17). Beside multinationals, domestic providers are also present in the market but operate rather small shops dispersed in the regions. For instance, COOP Jednota is a cooperative transformed from former consumer cooperatives established in 1967. It operates 1,793 shops, 394 supermarkets and employs 11 ths. employees. MilkAgro operates in east Slovakia and Nitrzdroj in the southwest regions. All of these companies have a local capital.

Table 17. Revenues and number of employees in top 10 retailers in Slovakia

Company	Revenues (in mil. EUR) in 2014	Number of employees**
Tesco Stores a.s.	1,338.1	10,000
COOP Jednota	1,041.0*	11,000
Lidl Slovenská republika, v.o.s.	890.3	4,000
Kaufland v.o.s.	812.98	4,500
BILLA s.r.o.	459.70	4,000
Diligentia R.C., s.r.o (Moja Samoška)	175.19	N/A

CBA Slovakia a.s.	141.56	2,300
Milk-Agro spol. s.r.o	127.19	1,400
Retail venue stores a.s. (Carrefour)	17.80	N/A
Nitrazdroj a.s.	38.2	N/A

*Source: Finstat, own compilation, *Source: ako-investovat.sk, ** Source: publicly available information in press releases and annual reports of the companies*

Working conditions are at the centre of attention in the sector for several reasons. First, low degree of regulation of opening hours causes some of the hypermarkets to be open 24 hours, thus night work, over-time work or part-time and agency work are widely applied in the sector. For highly feminized sector, work-life balance with ordered shifts and overtime work is also an important issue. Crisis affected the retail sector only for short time and revenues are constantly growing since 2010. In 2014, the revenues in the sector reached 18.8 billion EUR.

2.4.1. Employment and wage trends in the retail sector

In this part, we provide data for the retail sector, not only for supermarkets, since such detailed data are not available. The number of employees working in retail reached 163,390 in 2015, with an average wage of 604 EUR. Gender pay gap was above average, 28%. This stems mostly from an employment structure, when 88% of women work at shop floor most usually on low qualified positions with low pay which significantly decrease statistically reported average wage of women in the sector. Hourly wage was 5.5 EUR in 2015, males however earned 6.43 EUR compared to females hourly wage of 4.72 EUR (RETAIL2). Regarding the wage structure, around 67% is the basic wage, while bonuses and allowances are 15.68% in 2014 (see Table 18).

Table 18. The structure of the average wage in the retail sector

Retail trade;	2008	2009	2010	2011	2012	2013	2014	2015
Average gross monthly earnings – total in EUR*	612	537	558	594	618	624	648	680
Basic earnings in %	63.93	67.07	67.52	68.01	67.82	68.34	67.86	
Special premium payments in %	5.37	4.04	4.35	4.11	4.08	3.63	4.09	
Bonuses and allowances in %	17.94	14.96	15.20	15.42	15.66	15.71	15.68	

Payments for days not worked in %	10.17	10.90	9.91	9.93	10.25	10.26	10.39	
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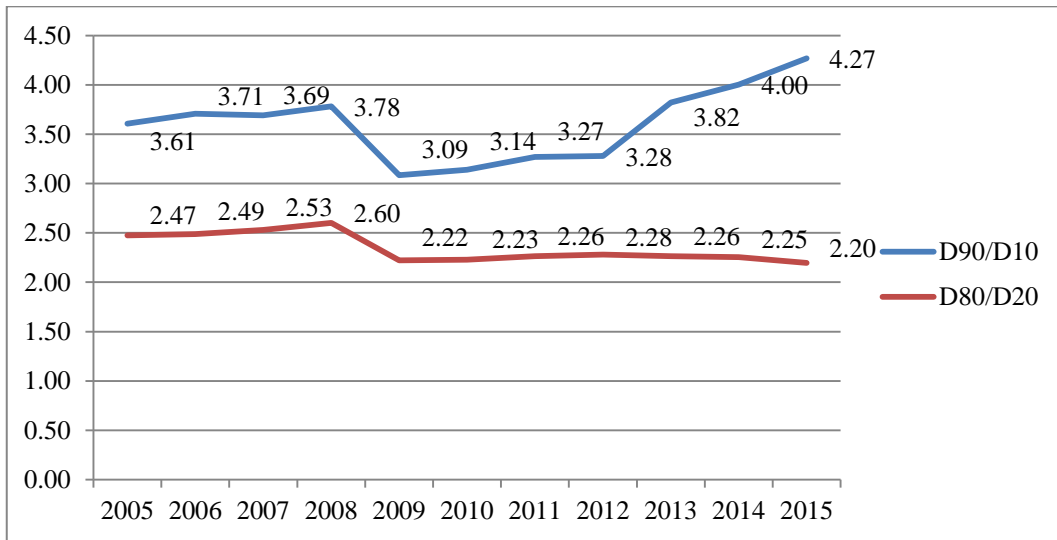
Source: Statistical Office of the Slovak Republic, * Social Insurance Agency

The sector is able to integrate a lot of workforce from other sectors, which was especially visible during the crisis, since many positions do not necessarily require any special qualification. As a result, the sector suffers from high fluctuation of employees, further reinforced by the low wages and difficult working conditions. Especially in the Bratislava region with higher living costs than in the rest of Slovakia, fluctuation might reach 70% yearly (BILLA1). Retail also often experiences flexible forms of employment. Part-time work might serve as possible solution for workers who cannot or don't wish to work overtime, on the other hand, in this low-wage sector, the wage for part-time work is in many cases insufficient for decent living. Moreover, part-time work is sometimes misused to decrease wages while the workload persists. In addition, cases of on-call work are reported by the trade unions (RET1), despite the fact that on-call work is not recognized in the Slovak legislation.

2.4.2. Wage setting and wage inequality in the retail sector

Wage inequalities between bottom and top decile are high and rapidly growing after the crisis and reaching a current 4.27 ratio. This illustrates different wages for shop floor workers and managers, but also refers to a high share of low wage earners in the sector. When first 20% and first 80% of earnings distribution are considered, wage differences shrink to 2.2 ratio. Thus, for the retail sector, mostly top income group deviates from the rest of the decile groups. The average wage in the first decile was even below the monthly full-time minimum wage, 263 EUR, which suggests the common use of part-time workers. Upper decile earned 1,123 EUR which is still relatively close to the average monthly national wage.

Figure 14. Decile ratios in the retail sector

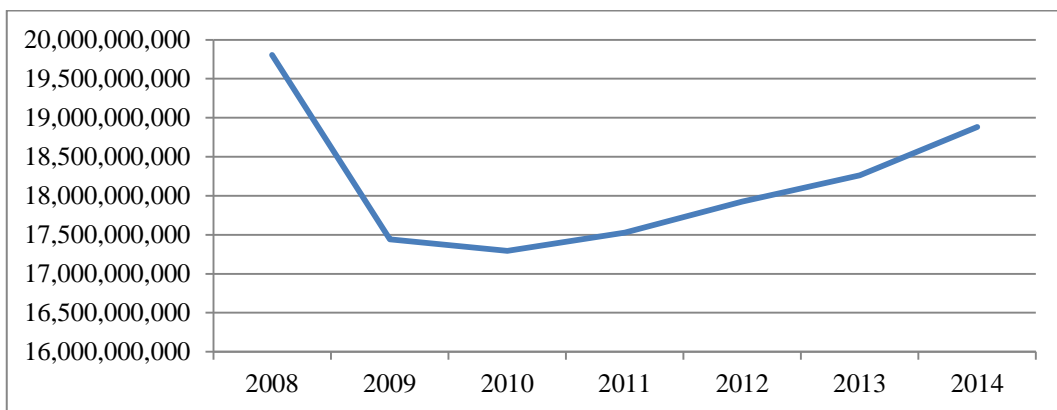


Source: SP (data accessed via Employment Institute), own computation

During the economic crisis wages dropped mostly in the top decile while up to third decile wages slightly increased, which we assign to the increases of statutory minimum wage (see

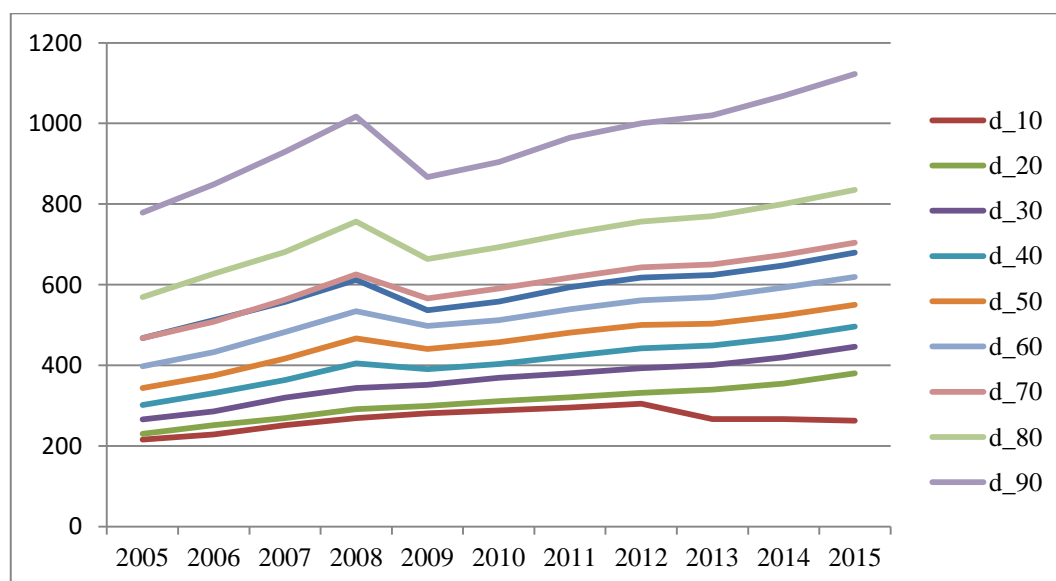
Figure 16).

Figure 15. Revenues in the retail sector



Source: SUSR, 2014

Figure 16. The development of wage distribution in the retail sector



Source: SP (data accessed via Employment Institute), own computation, (sample of 1,303,70 observations)

2.4.3. Industrial relations and wage bargaining in the retail sector

Employers' organizations and trade unions are active in collective bargaining in the sector. Two collective agreements are concluded, one covers member organizations of the Slovak Association of Commerce and Tourism (ZOCR) which associates approximately 25,000 employees at 105 organizations. Despite a low share of employees represented by the organization, turnover of those firms is around 75% of the sector (RETAIL2). Another collective agreement covers employees in the cooperative retail chain COOP Jednota which employs around 11,000 employees. Both agreements are concluded with Trade Union of Employees in Commerce and Tourism (OZPPaP) (see Table 19).

The agreement concluded with ZOCR does not contain any binding wage increase for the sector and minimum wage for the sector equals national minimum wage. The reason is high heterogeneity of the employers associated in ZOCR. In the majority of them, sectoral collective agreement is the only collective agreement applied, since only ten employers conclude collective agreement at a company level (RET1). For COOP Jednota, collective agreement contains provision on wage increase at the level of inflation, but maximum 3% increase for the given year. The actual increase is again defined in the company level collective agreement. Both collective agreements further stipulate wage increases for overtime work, night work, work on holidays and work in difficult conditions, slightly above the Labour Code level.

Despite this formalized collective bargaining at the sector level with no wage regulation, five big employers in the supermarket sector have decided to leave ZOCR and form their

own organization in 2016, namely Billa, Kaufland, Lidl, Metro and Tesco. The legal status of their new organization is yet unknown. In case they will be established as a non-profit organization instead of organization of employers according to the Collective bargaining act, they will be revealed from the obligation to bargain with trade unions. This would deteriorate sectoral collective bargaining which is already weak. Thus, collective bargaining will potentially remain only at the company level with limited impact in the sector.

Table 19. Industrial relations in the retail sector

Trade union	Trade Union of Employees in Commerce and Tourism (<i>Odborový zväz pracovníkov obchodu a cestovného ruchu, OZPPaP</i>)
Trade union members	24,310 employees and non-employees (MOLSA, 2013)
Association of employers	Slovak Association of Commerce and Tourism (<i>Zväz obchodu a cestovného ruchu Slovenskej republiky, ZOČR</i>) Association of Employers in COOP Jednota group (<i>Organizácia zamestnávateľov skupiny COOP Jednota</i>)
Number of employees of associated employers	40 000 (ZOČR) + 11 000 (COOP) employees
Dominant bargaining level for collective agreements	Sectoral level and establishment level
Sectoral bargaining coverage	90% (Eurofound 2011)

Source: authors

2.4.4. Social partners' perspective to tackle wage inequalities in the retail sector

Wage inequalities are not perceived as the crucial problem of the sector according to social partners. On the contrary, social partner representatives claim that shop floor workers are equally remunerated for the same work. This is ensured through a definition of the tasks performed and specific characteristic of each position in the retail. Therefore, the basic wage is the same. "For 12 years I have not experienced any problem in wage inequalities or remuneration systems. If there is a suspicion from trade unions we verify it and try to find correction," claims a representative of employers' organization (RETAIL2).

Trade union organization conducts its own survey among the member organizations and despite the wage differences amongst men and women, statistically reaching 28% in the sector, respondents claim that the gender pay gap is not a problem at their workplace. A possible explanation might be the employment structure in which shop floor employees

are in majority women, according to ZOČR it is around 88% (RETAIL 2), while men work mostly as managers and hold higher positions. This creates a statistical wage difference despite defined remuneration schemes for all positions. Further differences arise in regional perspective when employees from more expensive regions like Bratislava receive further bonuses to increase their wages. These bonus payments, however, are considered to be justified.

Since wage increases are not defined in the sectoral collective agreement, trade unions try to propose wage increases at least at the company level. According to the TU representative, in recent years they managed to bargain small increases at least at the level of inflation. Unjustified wage inequalities might stem mostly from vaguely defined tariff schemes and unclear rules for extra remuneration such as bonus payments. Remuneration schemes are also tackled in the collective bargaining. In the companies where wage tariffs are defined as intervals with no exact amount, trade unions try to oppose this practice to ensure more just remuneration systems.

In many companies, trade unions are not established. According to the trade union representatives, this is true mostly for Slovak companies. Social dialog with multinational corporations operating in Slovakia is partially facilitated through the EU level employers and trade unions organizations in the commerce sector. This at least ensures communication of employers with trade unions. As the TU representative claims, established dialog helps to solve problems and they appreciate each employer that is willing to participate in the dialog. In this sense, more problematic are those Slovak employers that are not associated in any employers' organization at home or abroad. "Such an employer won't communicate with us at any circumstances and we won't know about the situation there". Example of such a case arose just recently, when Slovak-owned company MilkAgro provided such unbearable working conditions that two shop floor workers faded out at the workplace⁴⁵.

2.4.5. Company case study: Billa

Billa (belongs to the Austrian retail group Rewe) is the fifth biggest player in the supermarket sector measured in revenues terms (459,7 mil. EUR in 2014) and 13th biggest employer in Slovakia⁴⁶. Operating in Slovakia since 1993, in 2015 it had 132 shops in Slovakia and employed 3,921 employees (BILLA 2016). Another 544 employees worked on work agreements – flexible and more precarious forms of employment (see Table 20). The number of employees in recent years increased, mostly thanks to the opening of new subsidies. For 2016, another 10 subsidies are expected to be opened.

⁴⁵ Bad working conditions resulted in fading and collapse of two shop workers in east part of Slovakia in April 2016. Excessive overtime, often not paid, no possibility to take holidays or sick days were one of the reasons. East part of Slovakia suffers from high unemployment and low wages, which is one of the reasons why people undertake such unbearable working conditions. MilkAgro does not have trade unions organization.

⁴⁶ Source: <http://ako-investovat.sk/clanok/1174/najvacsi-zamestnavatelia-na-slovensku-a-priemerne-mzdy>.

Table 20. Number of employees and number of employees on working agreements in BILLA

	2011	2012	2013	2014	2015
Number of employees average	3,552	3,699	3,734	3,856	3,921
Number of employees – working agreement	1,046	714	221	626	544

Source: Annual reports BILLA

The majority of employees are women, but the exact number is not available. Women work mostly at shop floors. Share of highly educated employees is relatively low, since a university diploma is mostly required for managers. Billa has one of the highest fluctuation figures in the retail sector. Outside the Bratislava Region it is around 35 to 40%, in Bratislava it is around 65 to 70% (BILLA1).

Despite it belongs to the top 20 employers measured in numbers of employees in Slovakia, an average wage paid in the company is the lowest within this group. The average wage in 2015 was 665 EUR monthly, compared to the top company Volkswagen which pays on average 2,086 EUR⁴⁷. The average wage is also the lowest among the retail chains: all of the big four companies, Lidl, Kaufland and Tesco, pay more.

The wage distribution at the company level is not available to the authors, but given the level of wages being below the average and also below the average in the retail sector, statutory minimum wage increases decided by the government play an important role in determining the lowest income levels, which in the case of retail means significant amount of employees. This is confirmed by our respondent from Billa who claims that wage increases for shop floor workers are mostly determined by the statutory minimum wage increases. This corresponds to our findings in the first part of this study, that the statutory minimum wage increase determines wage increase in the first decile of the wage distribution in Slovakia.

In general, wage levels in Billa are determined through an internal HR classification of positions. For basic wage at the given position, there are no differences throughout the country. However, internal mechanisms allow for wage increase if necessary, especially in the regions with higher living costs such as Bratislava. Wages are not differentiated based on the type of contract, therefore, a full-time employee and an employee with a work agreement are supposed to be paid equally, providing they work at the same position and have the same level of experience. Despite reported gender pay gap in the sector, Billa's male and female employees at lower positions are remunerated equally. Gender pay gap is created through the structure of employees, when the majority of lower educated employees are women while managers are males.

⁴⁷ Source: *ibid.*

Collective bargaining at the company level

All of the 132 subsidiaries of the Billa company are organized in one trade union. The employer considers trade union organization useful when it comes to consultancy of the new proposals in the remuneration system as well as in uncovering problems in the application of labour legislation. “Trade union organization guards rules and serves also as a consultancy body when proposing changes that concern employees. It is good to have trade unions in any company” (BILLA1). Regarding wages, collective agreement does not stipulate minimum wages for the company and rely solely on the national legislation (minimum wage law).

Despite low wages, employers do not increase wages to all employees, but prefer to offer variety of bonuses and vouchers. Nevertheless, low wages and connected high fluctuation of employees are perceived as the main problems of the company. The situation in Billa copies problems identified in the whole sector, which are low wages, high fluctuation and trade unions activity squeezed to consultancy role. In most cases, collective bargaining does not cover remunerations of the employees, which relies on the national legislation. Existence of social dialog is thus valued mostly because of the possibility to consult problems and report unlawful cases and practices. Thus, social dialog does help to prevent labour law abuse but does not ensure wage increases in the sector with the lowest wages in the economy.

2.4.6. Conclusion

Sectoral collective agreement in retail covers the majority of the supermarkets, but offers very low regulation and working conditions’ improvement. Low wages and difficult working conditions would require intensive intervention of the trade unions, but their members encounter problems in even establishing social dialog at the workplace. Wage inequalities in the sector are high, mostly because of diversification of shop floor employees and managers’ wages. High income deciles’ volatility is mirrored in measured differences between top and bottom income. Low wages and volatile inequalities might be ascribed to the weak and formalized social dialog with limited impact. Interestingly, the presence of the trade unions at a workplace is valued mostly because of their ability to reveal unlawful practices applied at the workplaces. Nevertheless, established trade unions experience difficulties at the majority of retail employers. We identify passivity of workers and unwillingness of employers as the main reason for persistence of difficult working conditions and low wages in the sector.

3. Comparative analysis of sectors

This third chapter of the study focuses on the comparative analysis of the four sectors. First, we compare wage distribution in the banking, education, metal and retail sectors. Consequently, we examine the role of sectoral collective bargaining and its influence on the level of wage inequalities in the sectors. We present the result of a content analysis of the sectoral collective agreements in the Equality-index (Table 24), and summarize our finding in a concluding, comparative table (Table 25).

3.1. Wage inequalities in four sectors

For the comparison of wage inequalities in the sectors, we use 2 digit NACE specifications of the sectors. However, in some statistics, only 1 digit NACE sections classification is available. Following Table 21 presents the sector NACE codes.

Table 21. Sector specification according to NACE codes

Sector (name used in the study)	NACE Sections (1 digit)	NACE divisions (2 digit)
Metal (with focus on automotive)	C – Manufacturing	C29 – Manufacture of motor vehicles, trailers and semi-trailers
Retail	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	G47 – Retail trade, except of motor vehicles and motorcycles
Banking (with focus on retail banking)	K – Financial and insurance activities	K64 – Financial service activities, except insurance and pension funding
Education (focus on primary and secondary education)	P – Education	P85.1 – Pre-primary education P85.2.0 – Primary education P85.3 – Secondary education

Source: own compilation

Regarding wage distribution at the sector level, we have limited access to data on hourly earnings, especially in the sectors specified above. Table 22 offers wage distribution in hourly earnings according to MOLSA (2015). Since we do not have data on real increases and hours worked in specific sectors, we cannot replicate the computation of average hourly wages from the administrative data of the Social Insurance Agency as applied in the previous section.

Table 22. Hourly wages in selected sectors, Q4 2014

Sector	Average	D10	Q25	Median	Q75	D90	D90/D10
Metal sector (NACE C)	5.73	2.75	3.52	4.47	6.62	9.32	3.39
Retail and wholesale (NACE G)	5.21	2.46	3.06	4.08	5.83	8.75	3.56
Financial sector (NACE K)	9.90	4.23	5.43	7.56	11.07	16.83	3.98
Education (including universities) (NACE P)	5.47	2.42	3.41	4.21	6.12	9.92	4.10

Source: MOLSA and own computation

Based on the data from the Social Insurance Agency, we present wage distribution based on monthly wages in the four examined sectors (see Table 23). The results are based on the administrative data on wages paid to employees in the given sector (NACE 2-digit classification). Samples therefore include all full-time and part-time workers that are obliged to pay social contributions to the Social Insurance Agency. We cover the period before and after the crisis, from 2005 to 2015.

Table 23. Average monthly wages in automotive, retail, banking and education

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Automotive	N	46,539	51,046	55,564	56,164	48,485	50,715	56,542	61,024	60,689	61,642	64,992
	Avr. wage	661	723	784	825	861	892	971	1046	1122	1166	1217
Retail	N	116,291	122,734	129,756	129,922	123,342	122,053	123,053	122,227	125,850	127,213	130,370
	Avr. wage	468	512	557	612	537	558	594	618	624	648	680
Ban-king	N	25,948	26,614	26,532	25,285	24,061	22,797	23,199	23,300	23,091	22,038	22,278
	Avr. wage	1,116	1,212	1,299	1,368	1,493	1,520	1,671	1,790	1,626	1,755	1,810

Educa- tion	N	143,500	142,153	140,868	134,440	134,929	136,674	136,364	135,888	135,950	135,922	135,804
	Avr. wage	526	568	610	656	715	732	747	780	814	865	901

Source: SP (data accessed via Employment Institute), own computation

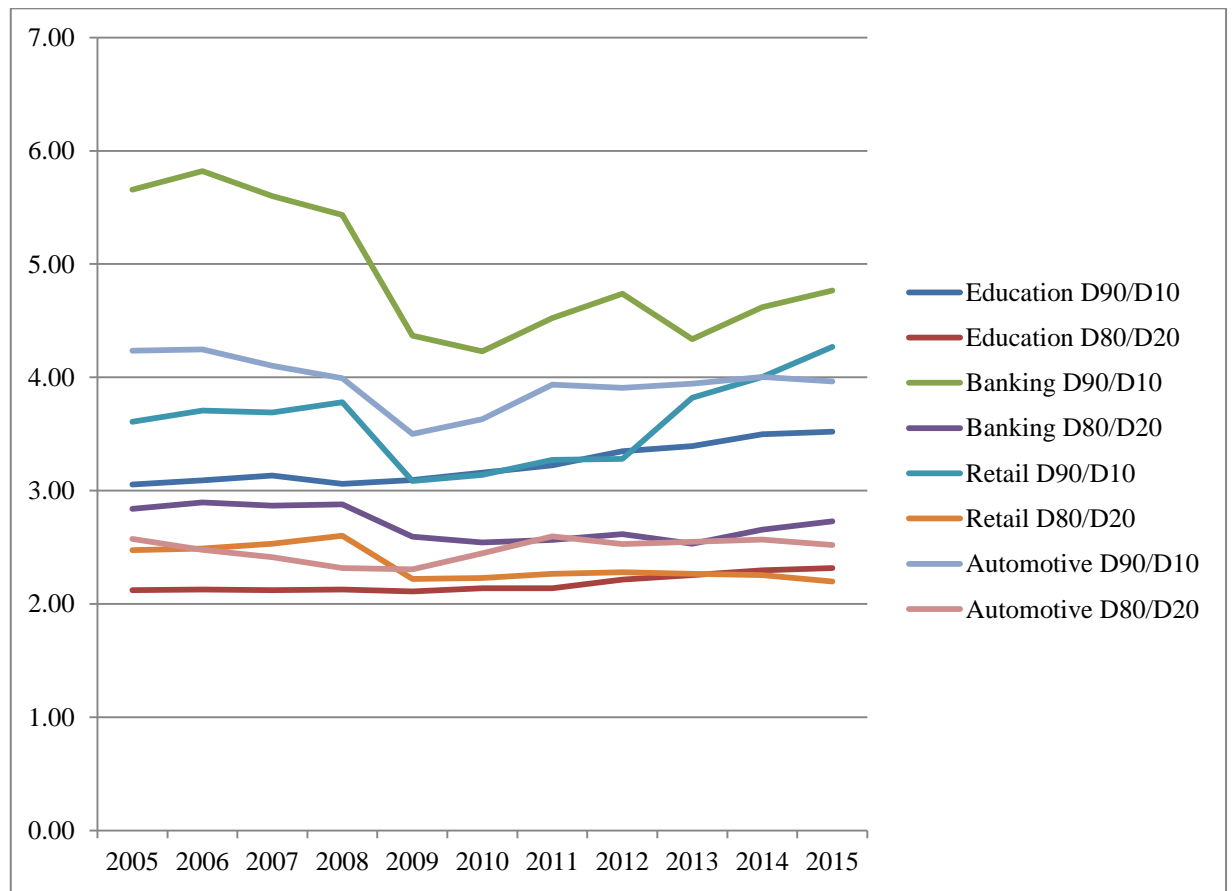
The highest wage differences measured as a ratio of the 10th and the first decile are found in the banking sector with a ratio below 6 before the crisis and slightly below 5 after the crisis, which means that top incomes were almost 6 times higher before the crisis and this difference dropped to 5 times after the crisis. Banking is the only sector which experienced a fall of wage differences in the last 10 years. Employment and wages decreased in this sector after the crisis, however still remain one of the highest among sectors, the first decile receives 662 EUR and the top decile earns 3,156 EUR.

Retail experienced an opposite trend, after 2012, wage ratio of the top and bottom decile increased to 4.3. At the same time, wages in this sector are one of the lowest, the first decile earns 263 EUR and the 10th decile earns 1,123 EUR. In both nominal and real terms, wages in this sector dropped in 2009 compared to 2008.

In the automotive sector, wage differences stagnated. Employment dropped significantly in 2009 as reaction to economic downturn, but the sector recovered quickly. At the bottom decile, wage was 517 EUR in 2015 and the top decile earned 2,050 EUR.

Education is a highly regulated sector dependent on public finances. Wages in the sector are regulated by the government that specifies wage tariffs for the whole public sector. Therefore, wage differences are modest but with tendency to increase. Wages in the sector are one of the lowest, starting at 400 EUR and reaching 1,408 EUR at the top decile. Wage differences and their development are illustrated in Figure 17.

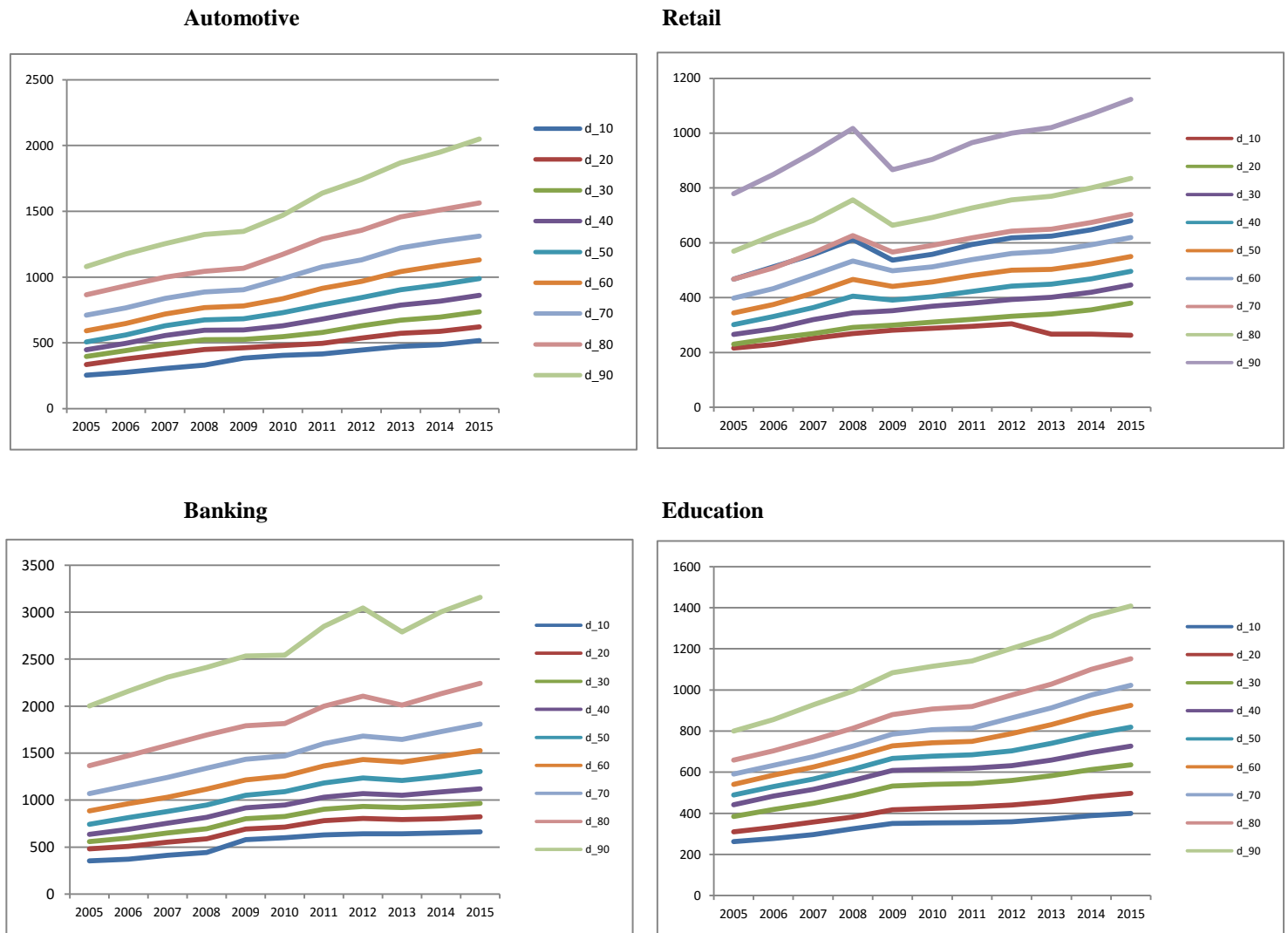
Figure 17. Wage distribution in 4 sectors



Source: SP (data accessed via Employment Institute), own computation

Wage distribution in the four sectors show different patterns in the period 2005-2015 (see Figure 18). Nominal wages were constantly rising in the automotive industry, while they significantly dropped in retail during the crisis. The drop in nominal wages in upper level of the distribution was also reported in the banking sector. Education, where wage increases are coordinated with the government, experienced constant increase of wages.

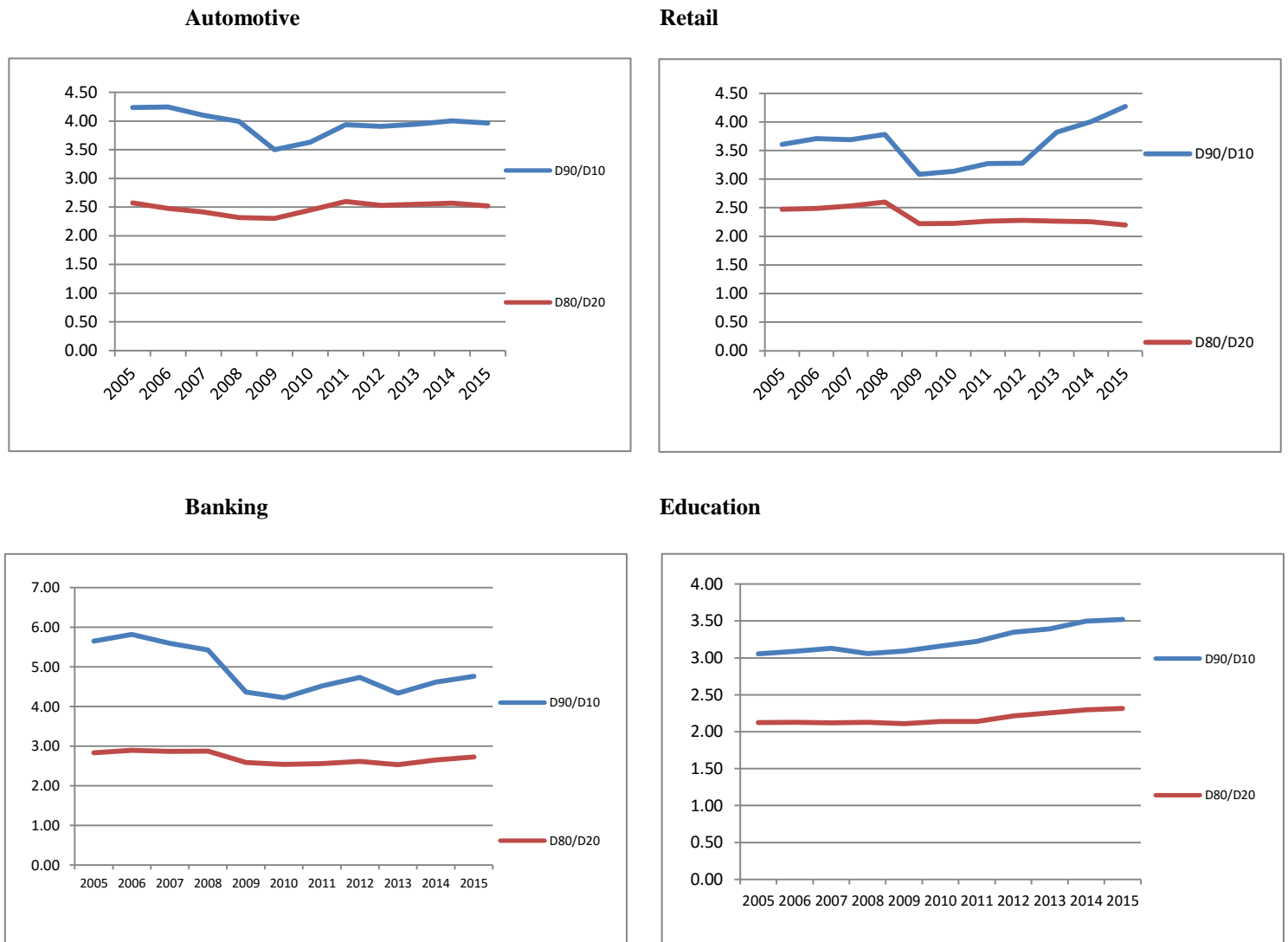
Figure 18. Comparison of wage distribution in four sectors



Source: SP (data accessed via Employment Institute), own computation

The development of inequalities over time was the most stable in the automotive industry, while the level of inequalities varies the most in retail. At the same time, banking reports a significant decrease in wage differences, while in education, wage inequalities continuously increase (see Figure 19).

Figure 19. Comparison of wage inequalities in four sectors



Source: SP (data accessed via Employment Institute), own computation

3.2. Collective bargaining impact on wage inequalities

The analysis of the views of social partners on wage inequalities pointed to the fact that social partners can be important actors in influencing wages and wage inequalities in the sector, particularly through collective bargaining. In this part of the study, we attempt to answer the question whether collective bargaining mitigate the wage differences created through open labour market. We start with a comparison of sectoral collective agreements in the banking, education, metal and retail sectors. Consequently, we investigate the impact of collective bargaining on wage setting in four sectors. We compare each sector

in terms of social partners' involvement and influence, impact of concluded collective agreements and impact of other factors such as an ownership structure in the sector.

Although social partners might play an important role in influencing the level of wage inequalities, in the majority of the sectors examined their role in influencing wage inequalities in the sector is rather limited. In general, social partners are rather weak, with low density rate on both trade union and employers' sides. Trade union membership as well as employers association rate is rather low, especially in the retail sector. We find some exceptions such as highly organized employers in the banking or moderately organized employees in the metal sector, nevertheless, their impact on wage inequalities at the sector level is rather limited.

Trade unions are willing to preserve social dialog at the sector level at the expense of a content of the sectoral collective agreements. This is visible via the fact that the majority of sectoral collective agreements in Slovakia include very little specificities related to wages and their increase. Particularly, in all of the examined sectoral collective agreements, the wage increase applicable for year 2016 was either very low (banking) or none (retail). Widespread argument of the employers is that the heterogeneity of the sector prevents a universal wage increase applicable to all members and thus, trade unions face difficulties to achieve reasonable wage increase, especially in the retail and metal sector. The banking sector on the other hand, does not suffer from heterogeneity, but the strategy of employers is to increase wages through the flexible part of the wage related to employee's performance. Thus, trade unions in most of the sectors focus on wage increases at the company level via their base organisations, which they supplement with an attempt to influence policies at the national level, particularly the level of the statutory minimum wage and till 2016, the extension of sectoral collective agreements to the whole sector. In education, trade unions bargain wage increases with local and national government representatives and are dependent on public financial resources. Nevertheless, wage increase bargained in the public sector is higher than in the other three private sectors. This mostly stems from the significantly lower wages in the public sector compared to private, e.g. banking or metal. Wages in retail, on the contrary, are even lower than in education.

In order to compare collective agreements and assess their impact, we focus on wage policies stipulated in those agreements. However, sectoral collective agreements in Slovakia are very often too general and as a result, several topics such as specific payment principles are not included in the sectoral collective agreements (as opposed to other countries, where CBAs might be more detailed). For example, sectoral collective agreement in retail does not stipulate any wage increase, nor the minimum wage that would be above the statutory minimum wage. The exception is the sectoral collective agreement valid for COOP Jednota, where wage increase is stipulated at the level of inflation rate. On the other hand, metal sector stipulates minimum wage tariffs for the sector, including their increase. Moreover, most commonly wages increase by the fixed amount which prevents rising differences in wages. In the banking sector, the minimum wage is set to 500 EUR in the sectoral collective agreement, which is higher than the statutory minimum wage of 405 EUR. However, wage increase defined in the sectoral collective agreement is usually very low, defined as a percentage for the whole sector,

which might partially contribute to the rise of wage inequalities. In education, wage setting is specific since it is regulated by the government and constrained by the public budget. Sectoral collective agreement for the public sector, where education belongs, stipulates 4% increase of wages to all employees.

Table 24 summarizes the equality-index, measured for four sectoral collective agreements valid in 2016 in the metal, retail, banking and education sector. In Slovakia however, sectoral collective agreements do not stipulate detailed payment principles. Therefore, their influence on mitigating wage inequalities in the sector remains rather limited. Nevertheless, from the available information, collective agreement in the metal sector stipulates provisions that may contribute to equality in the sector, similarly as CBA in the education sector. On the other hand, agreement in the banking sector contains provisions that reinforce wage inequalities in the sector. Sectoral collective agreement for retail, based on our analysis, does not contain provisions on remuneration and has a neutral effect on wage inequalities.

Table 24. Equality-index

Topic	Metal	Supermarkets	Banking	Education
1.				
Collective wage increases	+	0	-	-
2.				
Range of salaries	+	-	-	+
3.				
Opening clauses allowing for <i>higher</i> wages	-	-	-	-
Opening clauses allowing for <i>lower</i> wages	+	+	+	+
4. Payment principles				
Job classification system	+	0	0	+
Years of experience				+
Age				
Profit sharing				
Individual performance related pay				
Other payment principles				
5.				

Inclusion of flexible contracts		+		
TOTAL UNWEIGHTED	3	0	-2	2

Notes: + = fostering equality; - = fostering inequality effect

Source: own compilation, based on comparative content analysis of sectoral collective agreements valid in 2016

In the context of structure of the Slovak economy, where in the majority of sectors multinational corporations (MNC) dominate, we identified ownership prevalence in the sector as an important factor that limits or enables social partners to bargain wage increases and working conditions. Especially banking and retail are the sectors with significant share of multinational corporations. As confirmed by the TU representatives, the presence of MNC in many cases launched or facilitated social dialog, especially at the company level. In retail, most of the trade unions are present in the companies owned by MNC (Tesco, Billa, Lidl etc.). Those are also associated in the employers' associations and thus formally present at social dialog, nevertheless, remain reluctant in wage increase proposals. Interestingly enough, this still seems to be a more plausible position compared to Slovak owners in retail sector who do not feel to be obliged to bargain at all. A similar situation is in the banking sector where all banks are owned by foreign capital and formally are participating on social dialog but prevent reasonable wage increases at the sector level. The metal sector has also a significant share of foreign ownership, but sectoral collective agreement is more complex in defining wage tariffs and partially influencing wage setting in the sector.

When assessing the impact of the sectoral social dialog in the analysed sectors on the level of inequalities, the only link can be seen in the metal sector, where inequalities are stable in recent years and at the same time, sectoral collective agreement is the most complex. In addition, the strategy of the sectoral trade unions is to prevent rising wage inequalities through the sectoral collective agreement. In other sectors, despite the existence of collective agreements, they have none or very limited impact on wage distribution. In the banking sector, the minimum wage set above the statutory minimum prevents low wages but does not specify upper limit. At the same time, wage inequalities in the banking sector are the highest among the studied sectors (see

Figure 18).

In the retail sector, concluded sectoral agreement does not regulate the minimum wage or wage increase. The statistical and empirical evidence shows that wage inequalities in the sector are high and statutory minimum wage is earned by a large number of employees. Education, despite employing highly educated people, does not offer adequate wages. Proposed current rise of 4% is the highest among the studied sectors but does not push teachers into higher income levels.

From the findings at the sector level, we cannot establish whether the link between collective agreements and the level of inequalities is unidirectional or not. In other words, our research cannot establish whether the existence of sectoral collective agreements in

reality increases or decreases the level of inequalities in the sector. It may be the nature of the sector and the level of pre-existing equality/inequality in the sector that influences the type of collective agreement that is concluded in the sector (e.g. more equalizing collective agreement), such as we see in the education sector. Collective bargaining at the sector level thus offers only illusory coordination of the market economy with very limited impact on wage inequalities. In addition, the analysis of the collective agreements only suggest their relative power in influencing wage inequalities (fostering equality, fostering inequality) without attempting to say it causes inequalities in the sector or not. Because of the limited impact of the sectoral collective agreements, social partners pay attention to either national or local level. At the national level, trade unions push for statutory minimum wage increase, which in recent years has a significant impact on the wage increase in the lowest decile in Slovakia. This appears to be a strategy with a visible impact on wage distribution. At the company level, collective bargaining is uncoordinated. Based on the Slovak legislation, company level collective agreements cannot derogate downwards from the national framework or from the sectoral collective agreements. An actual impact on wage distribution depends on the strength of trade unions, as we saw on the example of the VW case study where wages are one of the highest in the sector and wage distribution is coordinated through wage tariffs specification. We summarize our findings in Table 25.

Table 25. Collective bargaining and wage inequalities in four sectors

Category	Wage levels and inequalities			National policies impact		Social partners		Collective bargaining			Ownership structure	Collective bargaining impact on wage inequalities		
Variable Sector	Wage level	Inequalities level	Inequalities development (dependent variable)	Minimum wage policy impact	SCA extension impact (until 2015)	TU membership rate	Employers membership	Existence of collective bargaining	Collective agreement stipulating sectoral minimum wage	Collective agreement stipulating wage increase	Prevalence of the ownership in the sector	SCA prevents inequalities (based on analysis of SCA)	Trade unions role in mitigating inequalities (limited, neutral important)	Role of employers in influencing inequalities
Banking	High	High	Rising	Negligible	No	35%	High	Yes	Yes	Yes/no	Multinationals	No	Limited	Passive/Reluctant
Education	Low/average	Low	Rising	Neutral	No	26%	-	Yes	Yes	Yes	Public	No impact	Neutral	Cooperative
Metal	Average	Medium	Stable	Neutral	Yes	40%	Moderate	Yes	Yes	Yes	Multinationals/ domestic private	Yes	Important	Cooperative
Retail	low	High	Volatile	Very important	Yes	29%	Low	Yes	No	No	Multinationals/ domestic private	No impact	Limited	Passive/Reluctant

Notes: SCA = sectoral collective agreement

Source: own compilation

4. Conclusion

In this study we tried to look at the inequalities development at the national and sectoral level and search for the question how are those inequalities addressed by the social partners. We provided quantitative analysis of inequalities at the national level and at four sector levels. We also looked at the company level and provided three case studies for banking, metal and retail sector on their remuneration policies and level of inequalities. The ambition of this research was to assess the impact of collective bargaining on level of inequalities. We applied qualitative interviews based on research combined with detail investigation of the wage inequalities in the sectors and at the national level.

Several conclusions can be drawn from our study. First, the study shows that the level of inequalities in Slovakia is rather stable over-time. Nevertheless, in some sectors, wage inequalities have increased. In all examined sectors, sectoral social dialogue and a presence of social partners led to a conclusion of sectoral collective agreements. In 2016, all four sectors have a valid sectoral collective agreement.

Second, the topic of wage inequalities is rarely directly addressed by the social partners in the sectoral collective bargaining. Rather, wage inequalities get to the foreground as a part of the debate on statutory minimum wage, gender pay gap and regional wage differences as national social partners engage at the tripartite meetings. Similarly, the level of awareness among employees differs. While in some sectors, employees approach the trade union representatives with questions about equal remuneration (e.g. gender pay gap and regionally differentiated wages in banking), in other sectors, employees are unaware of their own wage inequalities. Part of the reason is that within-organisation inequalities result from differences in performance-related pay.

Third, sectoral social partners differ in their views on wage inequalities in their sectors. While trade unions in the banking sector disapprove of regionally differentiated wages for their employees, in the education sector, regional 'equality' of wages puts pressure on teachers and allows new actors to lobby for different ways of remuneration in education, particularly those that take into account different costs of living in regions of Slovakia. Influenced by the nature of the sector and most importantly, by the ownership structure (presence of multinational companies), the power of trade unions in the banking and retail sector vis-à-vis wage inequalities remains *limited*. On the other hand, trade unions in the metal sector play an *active role* in decreasing wage inequalities in the sector. Similarly, while some employers recognize the existence of wage differences and *cooperate* with trade unions in mitigating them (automotive, education), others see them as a necessary outcome of market economy and remain *passive or even reluctant* (banking, retail).

Fourth, although sectoral collective agreements may play a role in mitigating wage inequalities in Slovakia, their scope and nature that sets only minimum standards in the sector have only a limited impact on the level of wage inequalities within the sector. Most of the time, sectoral collective agreements lack any reference to payment principles, and only two sectoral agreements offer specific tariff scales (metal and education). The example of sectoral collective agreement in the metal sector shows that sectoral

agreements offer a space through which social partners can influence the level of wage inequalities.

In sum, the role of sectoral collective bargaining in mitigating wage inequalities is rather limited or even with no impact at all. Despite formalized existence of social dialog and concluded collective agreements in sectors, those do not aim to address wage inequalities in the first place. Of course, social partners, especially trade unions, are aware of the necessity to address the issue of wage inequalities and therefore aim at the national level and demand regular increase of statutory minimum wage which, according to our analysis, have a positive impact on wage increases at the lower edge of the income distribution. Wage increases and income redistribution thus remain uncoordinated at the company level collective bargaining or on individual employee-employer relationship.

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