NEWIN – Negotiating Wage (In)equality

SLOVAKIA

Company – Sector Case Studies

Final conference, 29.11.2016 Brussels

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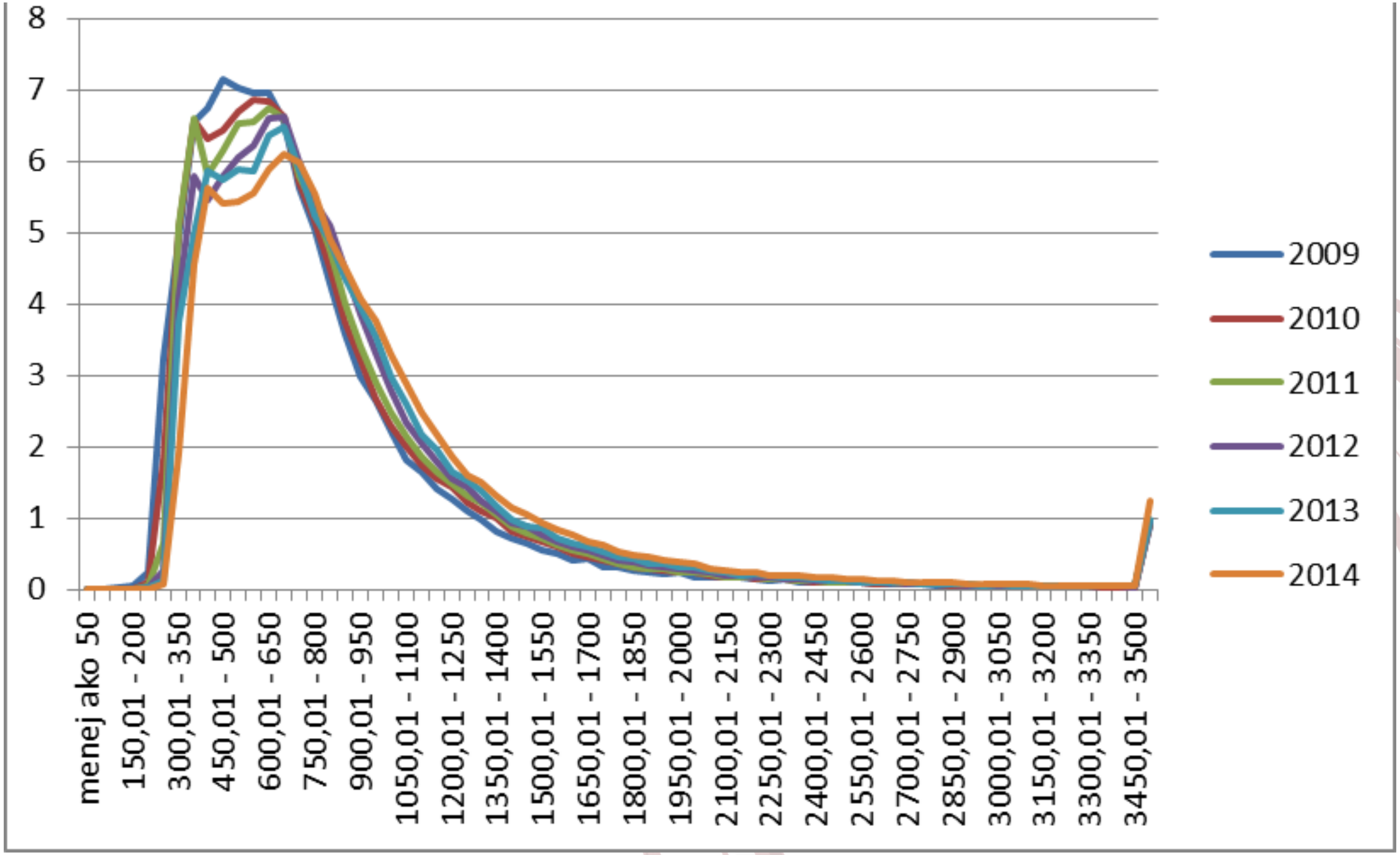
Methodology

- analysis of available statistics, including data from the Social Insurance Agency on income and wage inequality
- interviews with the social partners at national (3), sector (8) and company (4) level
- examining pay systems and collective bargaining at the enterprise level (case studies VW, BILLA and VUB Bank)

Income Distribution

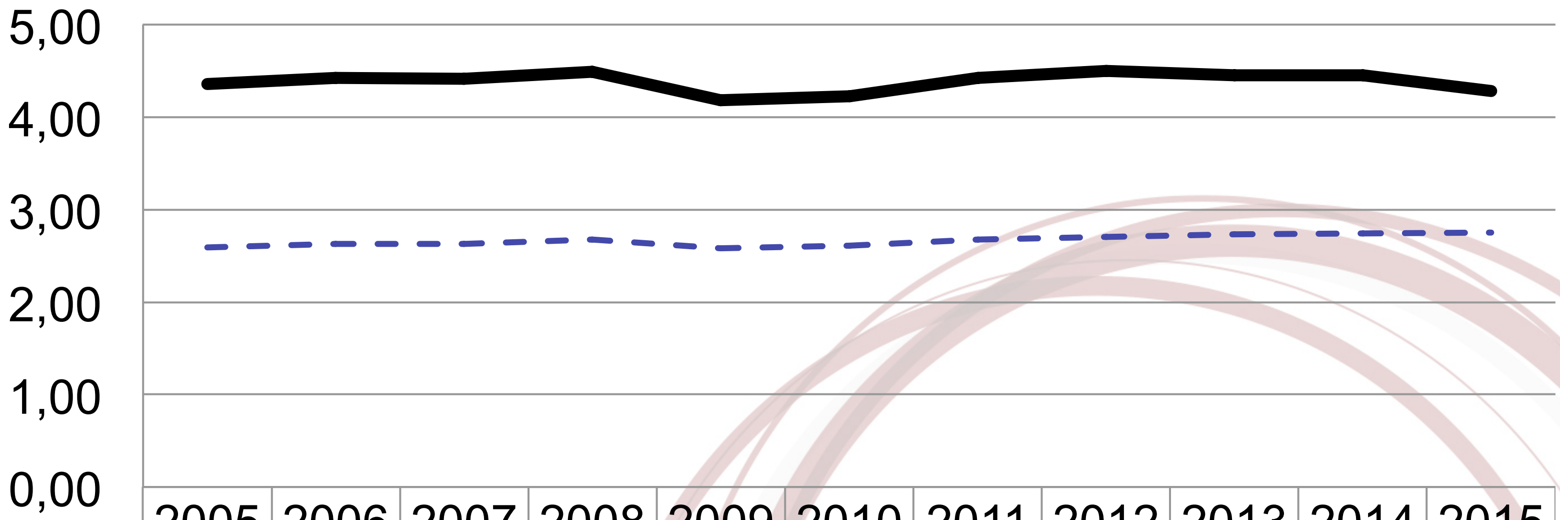


Source: own compilation based on data from SOSR, 2015.

Horizontal axis depicts income levels grouped by EUR 50, vertical axis share of people in each of the income level, in %.

Decile ratio

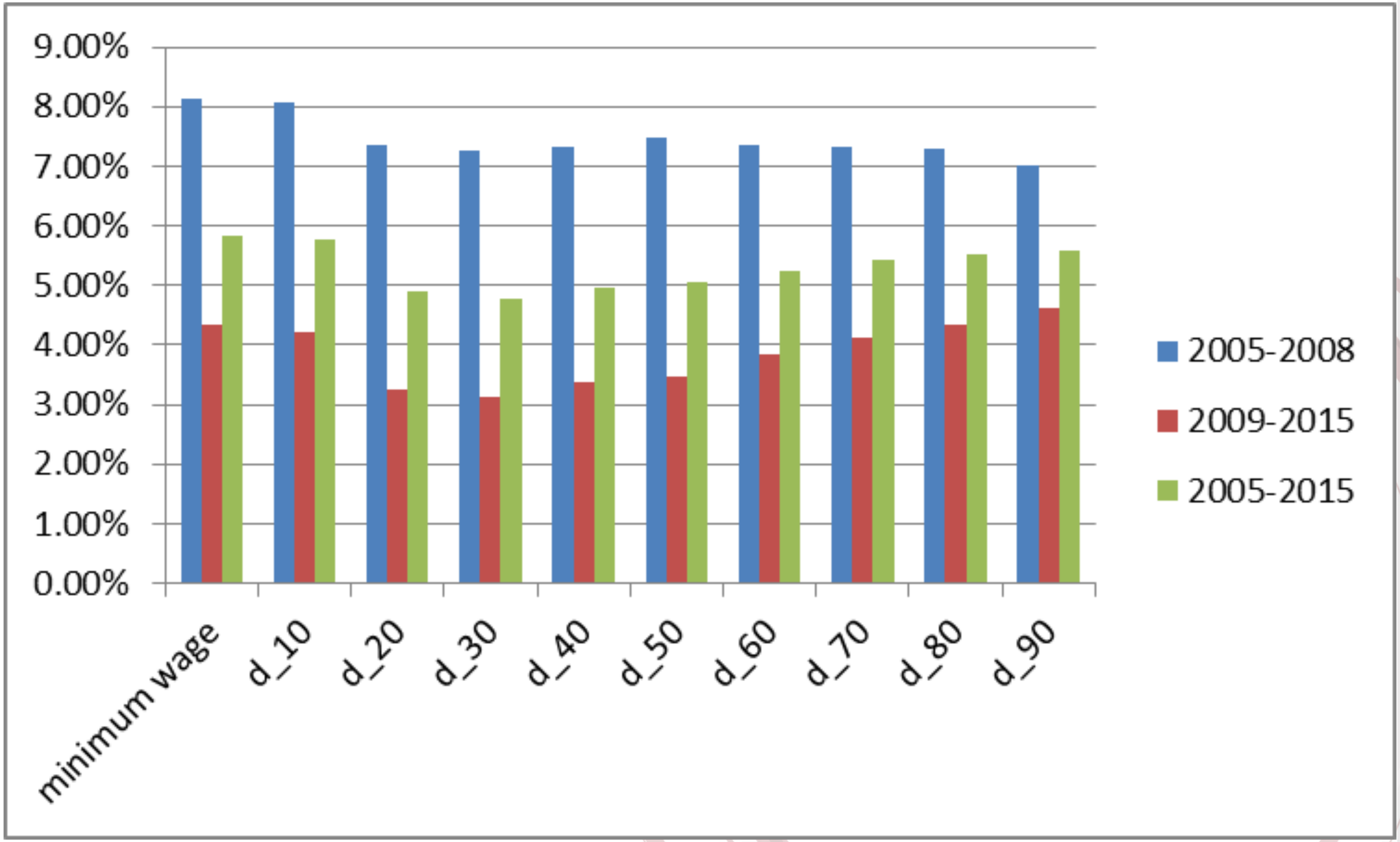
(D90/D10, D80/D20)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
D90/D10	4,35	4,43	4,41	4,49	4,18	4,23	4,42	4,50	4,46	4,45	4,28
D80/D20	2,59	2,63	2,63	2,68	2,58	2,61	2,68	2,70	2,74	2,74	2,75

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

Average wage increase (SP)



Role of LMI

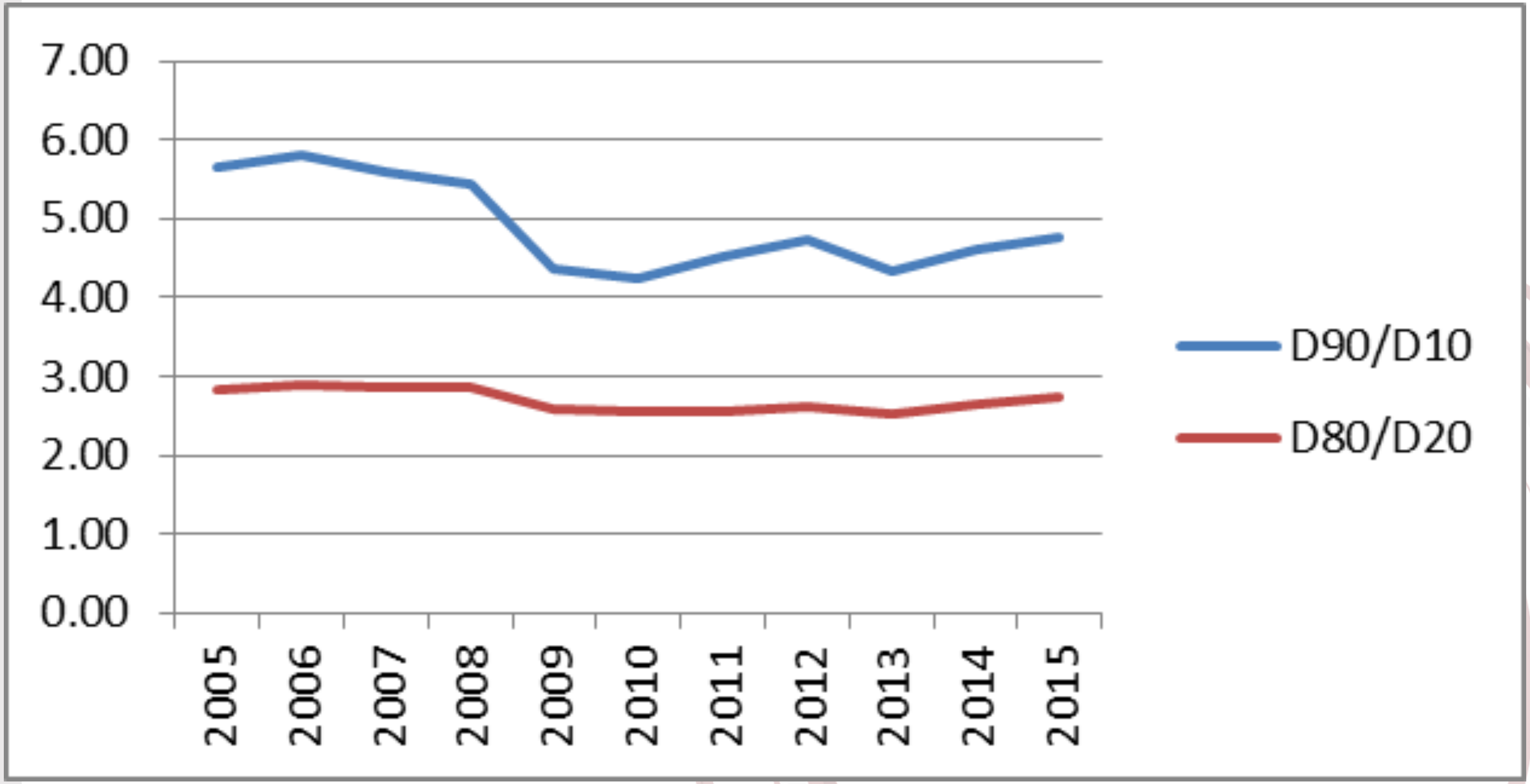
- **Minimum wage**
  - 7% of workers earn minimum wage, 11% young people up to 24.9% in eastern Slovakia (IFP, 2016)
  - Increases had so far rather limited impact on economy and employment (currently 45% of the average wage) but significant impact on low income groups
- **Collective bargaining**
  - Hourly wage in companies with CBAs higher by 1 euro (Trexima, 2014)
  - Decrease in CBC from 60 % employees in 1993 to 13.3% in 2013 (ICTWSS, 2015)
- **Extension of collective agreements**
  - *Erga omnes* without consent of employers, change 2016
  - Not so dramatic change, impact of extension is almost negligible (NBS, 2014)
  - But still it enhance social dialog at sector level

Sectors

Banking

- Dominated by multinationals
- Employment 1.9% (42 ths. ppl)
- Average wage 1,673€, median 1,236€;
- **Sectoral minimum wage defined in CA**: 500€
- SCBA is signed by 28 employers (almost 99%)
- Sectoral collective agreement **extension,** CBC of 90%
- Wage increase disputes: in May ‘16 agreement on 1%
- **Social partners’ view:**
  - TU: different standards for subsidiaries and parent banks (wage setting, wage increase); aim: equalize mechanisms (no support from foreign TUs)
  - Emp.: want lower fixed wage; greater flexibility offers space for fair wage increase

Banking: wage inequalities



Case study: VUB Intesa Sanpaolo bank

- Owner since 2001, 97.02 % share
- VUB has 1.2 million clients and 18% market share
- 209 retail branches and 32 corporate branches for the SMEs
- In Slovakia VUB employs 3,987 employees; 2,500 of them work in retail banking
- Average gross wage for 2014 was 1,723€ = slightly higher than the average for all financial sector (1,673€)
- 2 committees for remuneration, TU with 600 members, CA concluded every 3 years
  - every year negotiations about wage increase; reported cases of no wage increase (related to performance; flexible wage)
- data: no access to a company CBA

VUB Intesa Sanpaolo bank

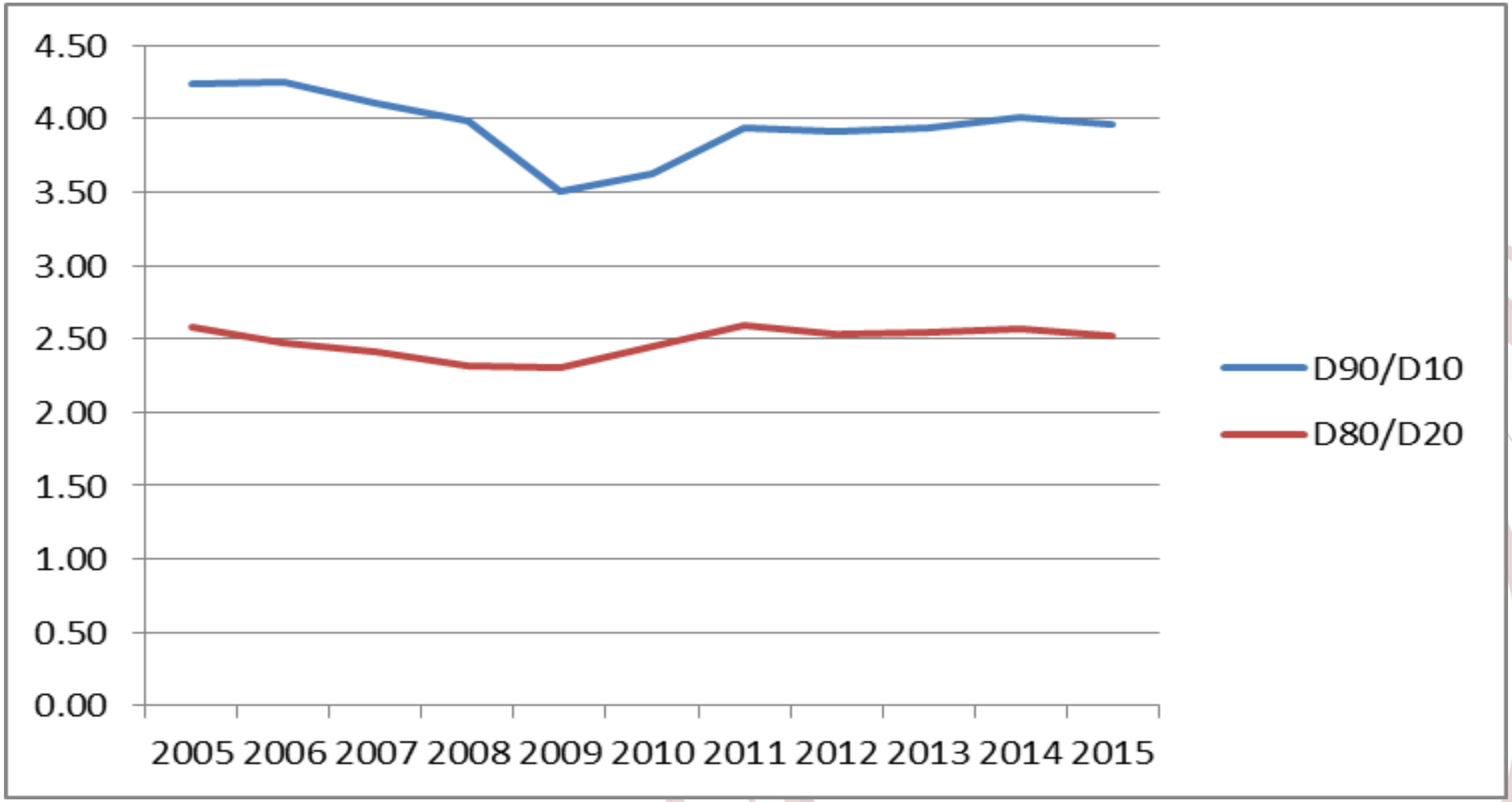
- Sources of inequalities the same as in the sector:
  - 1. inequalities between men and women
  - 2. inequalities between "old" vs. newcomers
  - 3. inequalities based on age
  - 4. regional wage inequalities

  channeled through internal flexibility (bonus & performance payments)
- TUs: fixed vs. flexible wage ratio lower than in other banks in Slovakia
- Fixed wage increases rather low, flexible part based on performance allow for higher wage
- High regional wage differences within VUB banks
- Seniority vs. newcomer problem
- GPG (data exist, but not accessible – violations of law)

Metal (automotive)

- One of the most important sectors in SVK, automotive strategically important : 27.5% total industrial revenues, 74% manuf. revenues
  - 3 largest automotive producers: Volkswagen Slovakia, PSA Peugeot Citroen, KIA Motors, a lot of suppliers and related companies
- Employment 2.7%, average wage Q2‘15 = 1,280€
- Increasing use of flexible forms of employment
- Sectoral collective agreement signed for the whole metal, extension applied
  - **SCA outstanding; defines specific wage tariffs which is unusual in Slovakia** (SCA 374 – 841 vs. 648-1,676€ in VW) increases in EUR no %
  - CB plays a key role in shaping wage inequalities
- Inequalities remains rather stable

Metal: wage inequalities



Case study: Volkswagen SK

- The biggest car producer in Slovakia, 397.458 cars produced in 2015; 10,800 employees in 3 plants (1,700 TAW);
- **trendsetter** in automotive industry
- enjoys “extensive freedom from the influence of headquarters”
- 80% of employees organized in the TU (high above sectoral average)
- Wages high above the sectoral average defined in collective agreement 648-1,676€ (close to Bratislava average)
  - CBA defines detail remuneration schemes
- Source of inequalities: TAW (flexible employment) – exclusion from bargaining; remuneration schemes that allow for personal judgement of supervisors

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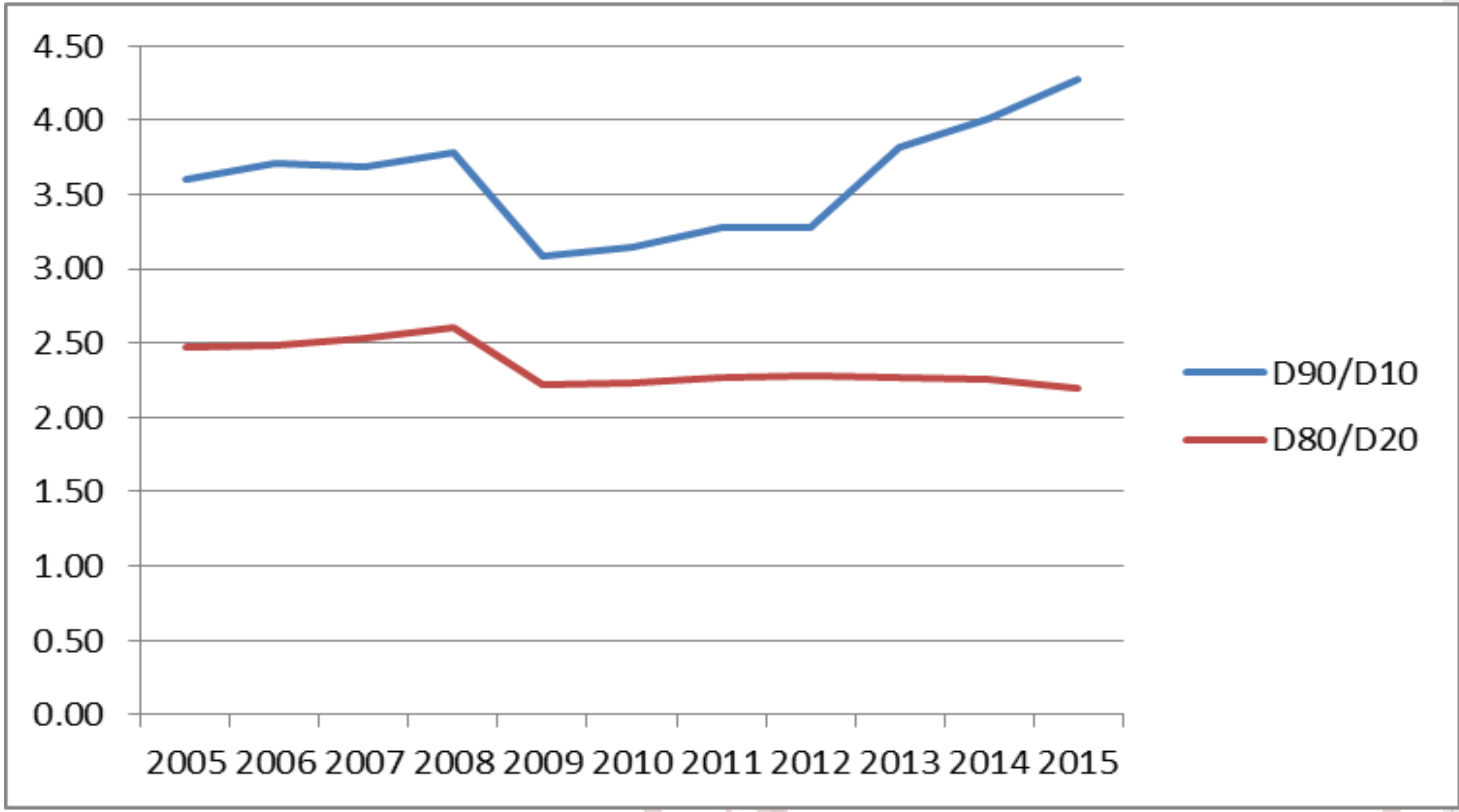
Sector vs. Volkswagen wage tariffs

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

Retail

- Many multinational retail chains (Tesco, Kaufland, Lidl, Ahold, Carrefour, REWE-Billa) but also domestic chains (Jednota, Terno, CBA)
  – conflict of interest, pure competition and lack of cooperation at sector level
- Employment 163,390 persons (2014); average wage = 680€
- Main challenges: low wages, high employee turnover, regional differences, competition between retail chains, flexible work (on call jobs, divided shifts, work agreements)
- Sectoral CA extended, high coverage BUT no wage tariffs defined, no minimum wage above NMW, no wage increases
  – EO: disintegration in already weak sectoral SD; missing TUs
- Wages and other issues: set in CBAs at the company level

Retail: wage inequalities



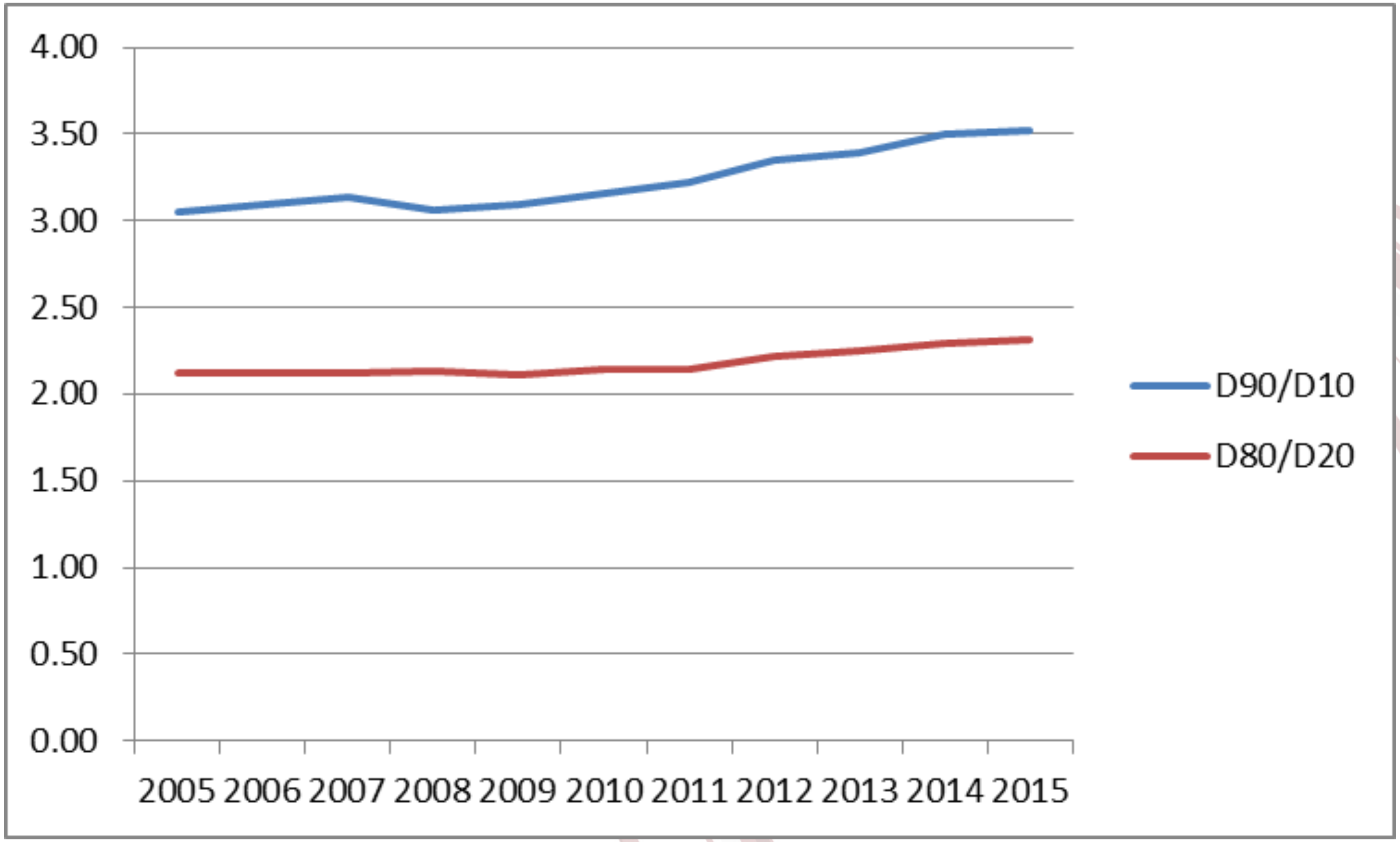
Billa

- 5th biggest player in supermarket sector (Austrian retail group REWE)
- of 3,921 employees, 544 work agreements (decreasing), majority women
- Highest fluctuation in retail: up to 70% yearly in Bratislava
  - Reasons: low wages, 665 EUR monthly
  - NMW thus plays a key role
- On-call work reported (not recognized in LC)
- CA signed, but no stipulation of wages included
- TU: subsidiaries organized in 1
  - Existence to consult problems and report unlawful cases and practices

Education (secondary)

- Employment 7.5% (165 ths.), 127 ths. in regional education
- Average wage 813 €; median 747 €;
- **wage equality – wage tariffs set by the government** (Act on Public Services)
  - for pedagogical staff: scale 6-12 (446-896.50€) **+** bonus for years of experience **+** other bonuses (class supervision, credits, e-c. activities, etc.)
  - Performance related bonuses**: only 5.7%**
- **Problems:**
  - low wages**, regional wage equality,** low wages of entry-level (young) teachers, tariffs for some categories (non-pedagogical) below min. wage
- Sectoral CA (part of public sector CA) + independent social dialogue in education, 4% wage increase in 2016; protest activity

Education II: wage inequalities



Conclusion

- since 2013: increase of inequalities in D90/D10 except automotive sector
- stagnation/decrease in inequalities in broader interval D80/D20
- highest wage inequalities: banking, the most equal sector: education
- Low impact of sectoral CA on wage inequalities in banking, education, retail
  - Automotive: sectoral CA that stipulate wage tariffs contributes to **reduction of wage inequalities**
  - Important company-level CA (e.g. Volkswagen)
- Opposite strategies of actors: while in banking TU push for more equal regional wages, in education new strategies on remuneration emerge that differentiate wages regionally
- Employers: ‘differentiation in wages’ (not wage inequalities) is necessary

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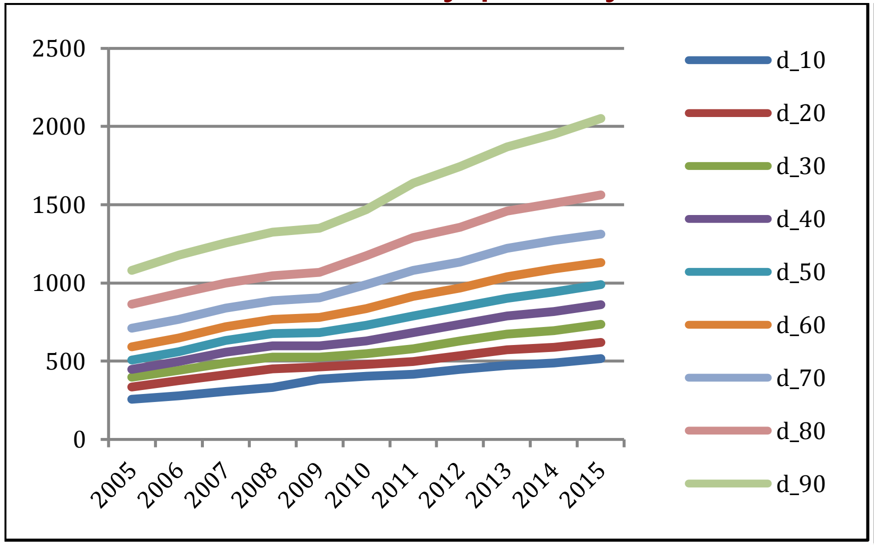
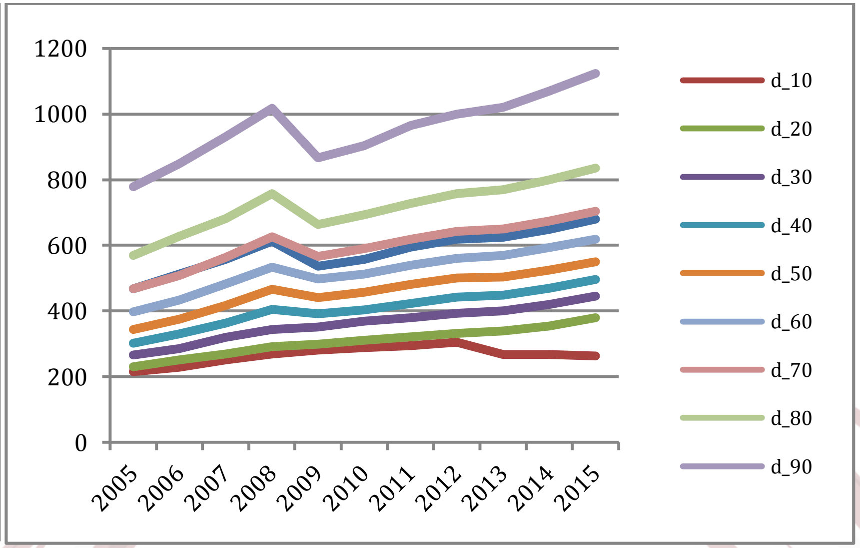
Topic	Metal	Supermarkets	Banking	Education
1.				
Collective wage increases	+	0	-	-
2.				
Range of salaries	+	-	-	+
3.				
Opening clauses allowing for higher wages	-	-	-	-
Opening clauses allowing for lower wages	+	+	+	+
4. Payment principles				
Job classification system	+	0	0	+
Years of experience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

Comparison of nominal wages in sectors

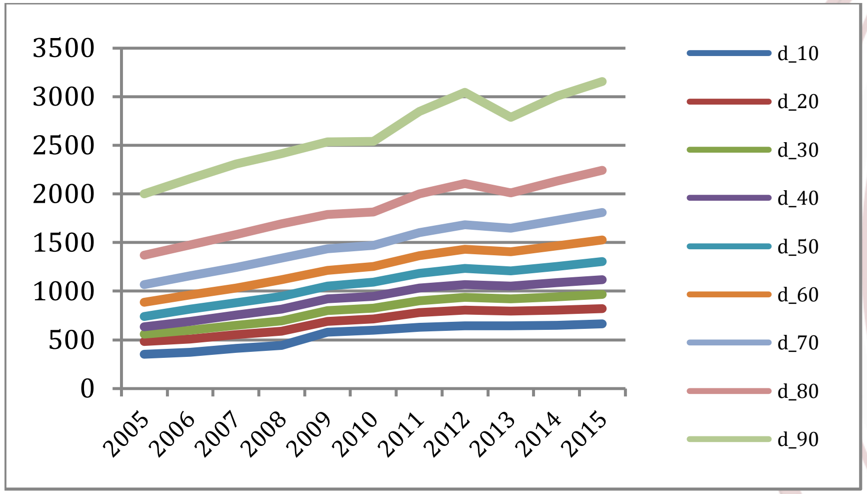
Graf 1: Automobilový priemysel



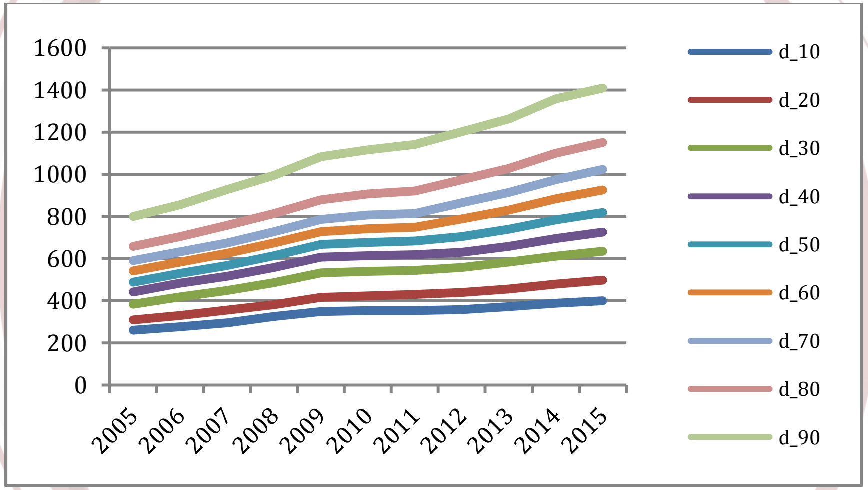
Graf 2: Maloobchod



Graf 3: Bankovníctvo



Graf 4: Školstvo



Zdroj: Sociálna poisťovňa, data spracované Inštitútom zamestnanosti

THANK YOU!

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