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Union Organizing  
in the Automotive Industry  
in Slovakia in Times of Crisis:  
Do They Help Workers  
or Protect Themselves?



## ABOUT THE PROJECT

This study was prepared in the larger framework of “**The Changing Nature of Employment in Europe in the Context of Challenges, Threats, and Opportunities for Employees and Employers**” initiative (<http://www.changingemployment.eu>). The ChangingEmployment program is a Marie Curie Initial Training Network funded by the Seventh Framework Program of the European Commission between 2012-2016. This paper focuses on Slovakia, and is part of a series of studies on trade union strategies in the automotive sector in Eastern Europe. Other studies in the series focus on Poland, Romania, and Hungary.

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IN SLOVAKIA IN TIMES OF CRISIS:  
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Monika Martišková and Monika Uhlerová

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## 1. INTRODUCTION

Slovakia’s car industry has developed rapidly over the last decade. The inflow of foreign direct investment (FDI) into the country has boosted GDP growth and employment. However, the growth was ensured through deteriorated labor relations and a rise in flexible forms of work. A cheap and skilled labor force was one of the factors behind the inflow of FDI in manufacturing. After a long period of chronic unemployment in the 1990s, new jobs with relatively high salaries were very attractive to the unemployed or workers from economically weak regions. Neither workers nor labor unions and the state were able to have or willing to deal with social dialogue in the newly established plants, as they were contributing to economic growth and a decline in unemployment levels. Moreover, the economic crisis had enhanced the trend to introduce new measures aimed at labor market flexibilization, especially in the automotive industry.

Global production networks theory places Central and Eastern European (CEE) countries on the periphery of automotive industry production networks. From this perspective, CEE countries including Slovakia, were valued for their cheap but qualified labor force, developed infrastructure and proximity to western markets, combined with a relatively stable political situation. Indeed, in order to attract FDI, the country introduced a wide range of reforms that decreased income redistribution and promoted labor market flexibility (Bohle & Greskovits, 2012), (Kahanec, Sieblová, Guzi, & Martišková, 2014). Labor market institutions such as collective bargaining formally remained valid, although in reality they became inconsequential for most of the transition period and were heavily dependent on political representation (Bernaciak, Gumbrell - McCormick, & Hyman, 2014). Furthermore, trade unions did not voice discontent and used protests only in exceptional cases and in particular sectors (e.g. railway workers in 2003). Instead, trade union influence was largely dependent on their political engagement with center-left governments, which remained one of the few channels through which they could be engaged in policy-making at the national level (Kahancová & Martišková, 2012). This was a consequence of the Slovak developmental path which envisioned a marginal role for trade unions and, in order to attract FDI, relied heavily on restructuring and privatizing state assets, while offering advantageous tax and labor market conditions to foreign investors.

Besides, the unions themselves remained captive to protecting the interests of the core workforce and were largely not interested in organizing atypical workers (Kahancová & Martišková, 2012). The recent economic crisis has marginally changed this attitude towards a more welcoming and inclusive

approach (Kahancová & Martišková, 2015). The main reason was the increasing number of workers in non-standard forms of employment, especially agency workers in the automotive industry and the use of small job contracts that were replacing regular contracts. For this purpose, trade unions again used political alliances and legislative effort to protect those workers but did not organize them.

Company level collective bargaining followed slightly different patterns compared to the national level. This was determined by unevenly spread trade union activities and membership rates across different sectors. For example, we find fairly organized trade unions in the metal industry that integrate agency workers into collective agreements and contribute to their protection at a company level. On the other hand, sectors where trade unions are weak even face accelerated processes of flexibilization and employers use practices beyond the legal framework; an example would be the retail sector or construction. Sector level collective bargaining remains rather symbolic in protecting and improving workers' rights (Martišková & Sedláková, 2016).

In this article we investigate the trade unions' activity at the company level during and after the recent economic crisis. Were trade unions successful in protecting workers in the automotive sector? In answering this question, we are especially interested in the interplay of the trade unions' strategies between national and local levels. We also seek to identify the impact that the recent economic crisis had on trade union organizing at the local level. For the purpose of this study, we focus on KIA's greenfield automotive investment in north-western Slovakia. KIA arrived in Slovakia at a time when FDI inflows in the country's automotive sector were at their highest. However, in comparison with other car manufacturers in the country, little is known about how social dialogue functions at the plant level. In order to fill this gap, the article seeks to trace the outcomes of social dialogue based on semi-structured interviews with trade unions and employer representatives conducted between January and April 2016. Furthermore, we also draw on previous research as well as on available statistics, KIA's annual reports, and relevant articles and information from the media.

The article is organized as follows. In the first section we contextualize our case study by describing the transformation of the Slovak economy into the automotive powerhouse of Central and Eastern Europe (CEE). Next, we concentrate on how trade unions responded to the FDI driven development, which prioritized flexible labor markets and sought to limit social dialogue. We show that the main source of trade union weakness has been their incapacity to preserve membership. In the third section, we analyze the case of KIA and show that even newly established trade unions do not pose a significant threat to hostile employers. We identify a lack of job opportunities in the region as the main obstacle to a more offensive approach from trade unions in protecting the rights of labor. In the last section we present our conclusions.

## 2. NATIONAL CONTEXT

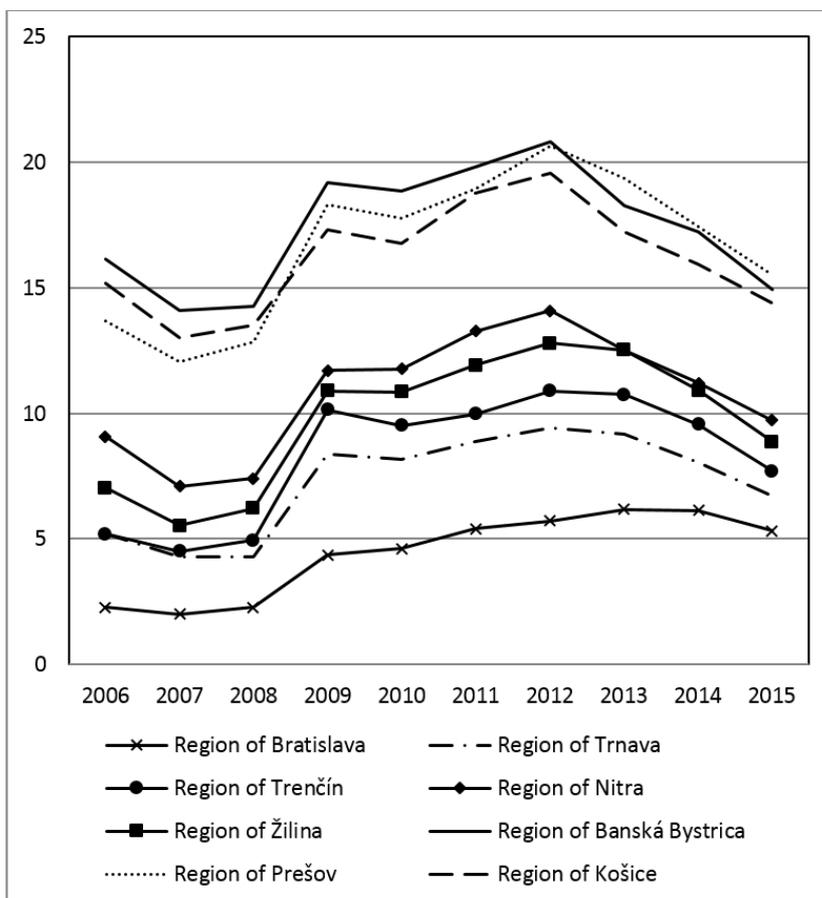
### 2.1. From transformational recession to an investment boom

The transformation period from state socialism to an open liberal economy affected all sectors in Slovakia. It resulted in high unemployment rates and created the necessity to introduce deep structural reforms. In the 2000s, FDI was considered to offer a reliable cure to the whole economy (Fisher, Gould, & Haughton, 2007). The expansion of car producers in Slovakia was facilitated through stimulus

to attract FDI, including tax reform and several labor market reforms, 10-year tax holidays for big investors, and infrastructure investments. In the record year, 2004, Slovakia attracted 1.966 million EUR in 47 investments projects, of which 14 went to the automotive industry. These investments were supposed to create 12 000 workplaces (SARIO, 2005). Also at that time, Slovakia had successfully accessioned to the European Union and declared its willingness to enter the Eurozone, which happened in 2009; the first of the Visegrad countries to do so. These factors, together with a qualified and low cost labor force, made Slovakia attractive to foreign investors.

FDI inflow was supposed to promote regional development throughout the country, nevertheless, better developed regions profited from investments more (Pavlínek, 2004). Regional differences thus persist and are visible in all economic indicators. The most developed western part, especially the Bratislava region, has a GDP two times higher than the national average, while the central and eastern regions have one-third the GDP of the Bratislava region. This does of course translate into wages and the level of unemployment. The average wage of Bratislava based employees is 1,284 EUR, while employees based in the Prešov region in Eastern Slovakia earn 767 EUR (SOSR, 2016). There is also a significant difference in unemployment with the Bratislava region having 5%, and both the Banská Bystrica and Prešov regions having almost 20% unemployment (see Figure 1). The Žilina region, where KIA established its plant, belongs to the regions with unemployment oscillating around 10% and slightly below average wages. As Zamborský (2012) points out, this was one of the reasons why KIA located themselves in the region.

**Figure 1. Unemployment rates in the Slovak NUTS3 regions, in%.**



Source: Statistical Office of the Slovak Republic (SOSR), 2016

Another measure to mitigate the high levels of unemployment was labor flexibilization. It was mostly facilitated through the Labor Code amendments. The Labor Code plays an important role in the formation of Slovak labor relations. It guides all aspects of work contracts, as well as work hour arrangements. Virtually every government since 2002 has amended the Labor Code, as a result, between 2002 and 2010, governments prepared and approved 19 amendments and another 9 amendments followed between 2011 and 2013 (Bulla, Czírta, & Kahancová, 2014). Between 2002 and 2006, Dzurinda's government introduced neoliberal reforms to the Labor Code that were aimed at labor flexibilization and were praised by international institutions and foreign investors (Fisher, Gould, & Haughton, 2007). After 2006, Fico's government changed the direction and introduced some amendments aimed at strengthening workers' rights. Nevertheless, a variety of flexible work contracts remained in Slovak Labor law.

Flexibilization was ensured through the introduction of alternative forms of employment contracts that lead to labor precarization. For instance, the working agreement, a type of the small job contract outside the employment relationship that allows for flexible hours as well as flexible hiring and firing policies, was prolonged from a possible 100 hours to 300 worked within one year. At the same time, the introduction of the possibility of simultaneous contracts with one employer opened a new path to excessive overtime work (Kahancová & Martišková, 2015). Fixed term contracts were subject to several changes in terms of their maximum length; initially allowed for 2 years, they were later changed to 3 years and recently, back to two years again (see Table 1). Moreover, dependent self-employment emerged as a precarious form of work that allows for the optimization of social contributions paid by the self-employed, which was called illegal in the Labor Code but remained hard to uncover and thus still occurs in labor relations. Temporary agency work was introduced at this time as well. Major changes of the Labor Code are summarized in Table 1.

**Table 1. The main Labor Code changes that affected labor flexibility between 2001 and 2015**

Year	Provision	Context
2001	Agreements performed outside regular employment	Total hours possibly worked for one employer are increased from 100 to 300
2003	Agreements performed outside regular employment	Allowed the simultaneous engagement of one employee in several employment contracts with one employer, thus removing barriers to extensive overtime work outside the scope of regulated overtime work in the LC
	Fixed term contracts	Limited the use per employee to a maximum three years' duration at one employer
2007	Agreements performed outside regular employment	Annual working time increased from 300 to 350 hours.
	Overtime work	The maximum overtime work that the employer can order was set at 150 hours per year. Overtime above this stipulation has to be agreed upon between the employer and the employee.
	Dependent work	A definition of dependent work was introduced in order to protect employees working involuntarily as self-employed and to decrease bogus self-employment
2009	Fixed term contracts	Two-year limit for a fixed-term contract without the possibility of further prolongation
	Flexikonto (working time account)	Temporary introduction of Flexikonto. Planned until 2012.

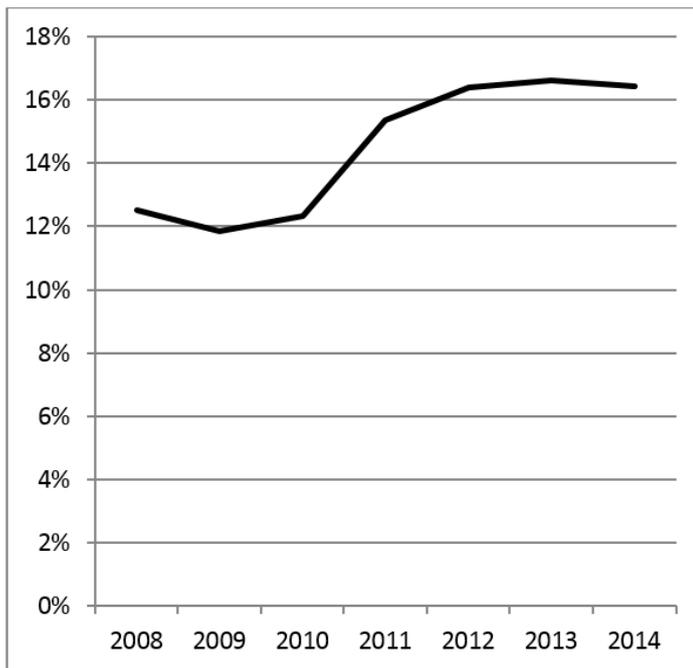
Year	Provision	Context
2011	Temporary agency work	Reinforced the equal treatment principle by broadening the definition of “working conditions and terms of employment” that have to be as equally favorable as those of other employees of the user employer.
		Act no. 257/2011 Coll. enabled a positive deviation from the principle of equal treatment by providing terms and conditions of employment that have to be not just equally favorable, but at least as equally favorable as those of other employees of the user employer. This amendment also ruled out any restrictions to equal treatment, since the wording “unless stated otherwise” was revoked.
		Furthermore, the amendment laid down the obligation for agencies to provide workers with access to training, even in the periods between their assignments, as well as access to child-care facilities.
	Fixed term contracts	Limited again to a maximum three years’ duration
	Flexikonto (working time account)	Permanent provision in the LC. Stipulates a balancing period of a maximum 30 months.
	Job sharing	Meant primarily for young people, women with small children and the elderly. Low regulation makes it potentially precarious.
2012	Temporary agency work	This amendment made it clear that an agency may only hire employees on the basis of a standard employment agreement and excluded usage of agreements outside regular employment which were highly precarious
	Dependent work	Amendment slimmed down the definition, which now consists of 6 defining characteristics: it is salaried work, carried out personally by an employee who is in a relationship of subordination vis-a-vis the employer, upon the employer’s instructions, in its name and in the working hours specified by the employer. The amendment also clarifies that dependent work may be carried out only by way of employment under the LC and not under the terms of some other form of civil or commercial contractual relationship.
	Fixed term contracts	Limited back to two years with only two possible prolongations within this period
2015	Agreements performed outside regular employment	Became the subject of social and health insurance contributions
	Temporary agency work	The user employer is responsible for the equal treatment rule, especially in wages. In practice, the user employer controls the payment of wages to agency workers. If the paid wage of the agency worker is lower compared to an employee in the core staff, the user employer must pay the difference regardless of the agency’s practices.
		Length of temporary assignment is limited to 24 months. Within this period, 4 prolongations are allowed. After this period, if an agency worker is still employed at the user employer he/she becomes a regular employee of the user employer.

Source: based on Bulla, Czírja, & Kahancová (2014), own adaptation

Slovakia thus prepared conditions for FDI inflow at the expense of deteriorating labor protection and disputable quality of the created workplaces and low wages. But still, Slovakia profited from this strategy and experienced an economic boom with decreasing unemployment rates, much needed after the 1990s when unemployment had peaked at 20%. Slovakia has become a world leader in car production, measured in per capita terms with 183 cars per head in 2015. The arrival of the PSA Peugeot and KIA increased overall production from 182 003 cars per year in 2001 to 1 000 001 cars in 2015 (IOCA, 2016).

With the arrival of the car producers, both foreign and domestic car component suppliers emerged. The country's dependence on the automotive industry thus increased. In 2008, 13% of employees in manufacturing were employed in the automotive industry; in 2011 it was 17% (see Figure 2). In absolute numbers, employment in the automotive and related sectors reaches 90 000 employees. Together with related industries, 9% of national employment relates to the automotive industry (Luptáčík, Habrman, & Reháč, 2013)). The automotive industry contributes 12% to Slovakia's GDP directly, and its contribution to export reaches 26% (ibid).

**Figure 2. Employment in the automotive industry as a share of employment in manufacturing (yearly averages), in%, 2008 – 2014.<sup>1</sup>**



Source: Eurostat, 2016.

With the establishment of two new car producers Slovakia's dependence on export and foreign demand rose. This caused difficulties, especially during the crisis, when worldwide demand for cars fell dramatically and resulted in an economic slowdown.

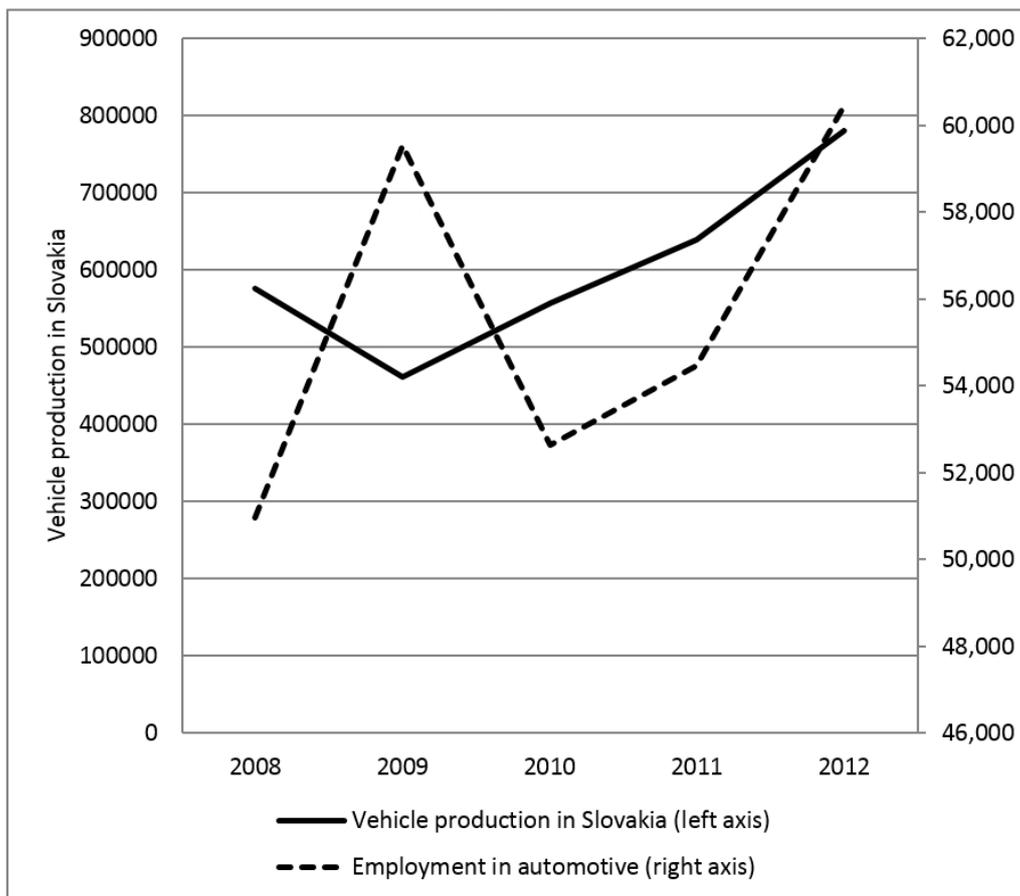
## 2.2. Crisis developments in the automotive industry

Slovakia's economy was hit by the crisis deeply but briefly, mostly because of the high dependence on export industries. Output decline was sharp, from 10.5% of yearly GDP growth in 2007 to 4.9% negative growth in 2009. However, by 2010 economic growth was again at 4.2%. The most significant was output decline in industrial production. Between 2008 and 2009 it decreased by 16%, which had consequences on unemployment figures as well as on government spending (SOSR, 2016). More than

<sup>1</sup> The data covers 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 accessories. Employment data includes all forms of employment at employers 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.

110 000 people lost their jobs, which raised unemployment from the decade’s minimum of 9.5% in 2008 to 12% in 2009 and 14.4% in 2010. The decline was only reported in 2011, with a level of 13.5%. An important contributor to economic decline was the automotive industry. In 2009, around 19.8% less cars were produced compared to 2008, when production was around 575 776 cars per year. Next year brought some growth, and the 2008 level was reached one year later, in 2010. As a consequence, employment in the automotive industry declined by 11% immediately in 2009, but slightly increased by 3.5% in 2010 and continued to grow by another 11% in 2011, as reported by the Statistical Office of the Slovak Republic (SOSR, 2016).

**Figure 3. Car production in Slovakia during the crisis.**



Source: SOSR, European Automobile Manufacturers Association (ACEA)

Each of the Slovak car assemblers have been hit differently by the crisis. While PSA and KIA were not producing at full capacity at the onset of the crisis, Volkswagen in Bratislava was a well-established plant producing at full capacity and strongly linked to the European markets. Consequently, PSA and KIA experienced only modest declines in production, while Volkswagen had to face a sharp and long decline in production output. Even in 2011, the number of cars produced at VW was 15% lower compared to 2007. KIA recorded a production decline only in 2009, PSA only in 2010. In both of the companies, production did not surpass pre-crisis levels (see Table 2).

**Table 2. Car production in Slovakia.**

Car production	2007	2008	2009	2010	2011
VW	248,700	188,000	104,300	144,510	210,441
PSA	180,000	190,000	205,000	186,150	205,000
Kia	142,371	197,800	152,400	229,500	252,000
<b>y-o-y change</b>					
VW		-24.4%	-44.5%	38.6%	45.6%
PSA		5.6%	7.9%	-9.2%	10.1%
Kia		38.9%	-23.0%	50.6%	9.8%
<b>Compared to 2007</b>					
VW		-24.4%	-58.1%	-41.9%	-15.4%
PSA		5.6%	13.9%	3.4%	13.9%
Kia		38.9%	7.0%	61.2%	77.0%

Source: Pavlínek (2012), own computations

In response to the crisis, the government introduced measures that aimed at boosting demand and maintaining jobs in the automotive industry, partially after the lobbying of car producers who used their influence to shape legislation in their favor (Zamborský, 2012). A large part of the expenditures went to a scrappage subsidy targeted at the automotive industry that was supposed to maintain cars sales. The Slovak government subsidized the purchase of 44 200 cars for a total budget of 55.25 million EUR. Slovak automotive companies profited from this measure only partially, since the subsidy was applicable to the purchase of any car, regardless of the location of production. Therefore, Slovak car producers profited mostly from similar measures introduced in their main export markets, Germany, UK and France (Pavlínek, 2012).

In the crisis, job flexibilization continued with the argument that legislation must allow for flexible arrangements to maintain jobs. A new measure called Flexikonto was originally introduced in Bratislava's Volkswagen plant in January 2009 as an anti-crisis measure imported from Germany. It allowed for the preservation of workplaces by radically reducing the working hours and payments of all employees since it permits shorter working hours during a low-production period with no need for layoffs. Instead, employees are required to work over-time in periods of increased production. This flexible arrangement of full-time contracts was supposed to preserve workplaces and was agreed upon with the trade unions in VW. Inspired by this example, the government implemented Flexikonto in the national legislation as early as 2009 as a temporary provision planned to be valid until 2012. However, in 2011 this provision became a permanent part of the Labor Code and thus encouraged it to be used widely. Among car producers in Slovakia, only KIA chose not to embark on a Flexikonto arrangement of working hours, neither during the crisis nor after it.

Another flexible work arrangement, which emerged after the crisis and is widely used in the automotive sector, is temporary agency work. In the mid-2000s, with the arrival of investments, agency work as a three-sided form of contract was introduced, involving an agency amongst the standard employer/employee relationship. This was used mostly in manufacturing where a flexible workforce serves as a buffer for economic difficulties. This was especially visible during the crisis when initially the number of temporary agency employees decreased from 55 000 in 2008 to 37 000 in 2009 but

then gradually grew to 49 000 in 2014 (UPSVAR, 2015). More than 60% of agency workers work in manufacturing; the car industry in particular employs this type of contract massively and a large share of the recruited core staff first work in the company as agency workers.

During the crisis and after it, the employment conditions of agency workers became one of the core issues for the government. Especially after the crisis, their number increased together with the number of illegal cases (Kahancová & Martišková, 2015). Most common were employers who broke the equal treatment rule specified in legislation since 2007 (Act no. 257/2011 Coll.), but also the illegal practices of wage reduction, leaving agency workers with only minimum wage, paying the remainder as, for instance, a travel reimbursement. For that reason, trade unions pursued stricter legislation for better protection of those workers and Fico's government adopted this agenda. At the company level, trade unions have tried to include agency workers into the collective agreements, although just in bigger companies primarily. The provisions in collective agreements which include agency workers most commonly tackle the application of the equal treatment rule inside the company. For example, in KIA's case, the provision on reduced wages during the trial period is not applied to former agency workers who were transferred to a regular contract. The difference between the trial period wage and the normal wage varies from 200 to 400 EUR depending on the wage tariff, according to the KIA Collective agreement.

Despite the precarity of measures introduced in the labor legislation before the crisis and after it, Hostomský and Ženka (2011) argue that those helped to preserve employment in the automotive sector in Slovakia during the crisis. It should be added that labor flexibilization has undoubtedly helped companies in deep recession to overcome the crisis, but those measures stayed implemented until today, and thus contribute to the further precarization of the labor force. Social dialogue might play a crucial role in the process of flexibilization of the labor force, but, as we have suggested, for political reasons unions undermined the impact of the flexible working arrangements and thus did not react promptly in the crisis or post-crisis period. On the contrary, in the automotive industry, trade unions first supported Flexikonto in order to maintain employment levels. Currently, the core agenda of the trade unions is to actively fight against the precarious work of agency workers and Flexikonto, but those are more a correction of the status quo than demands for radical changes.

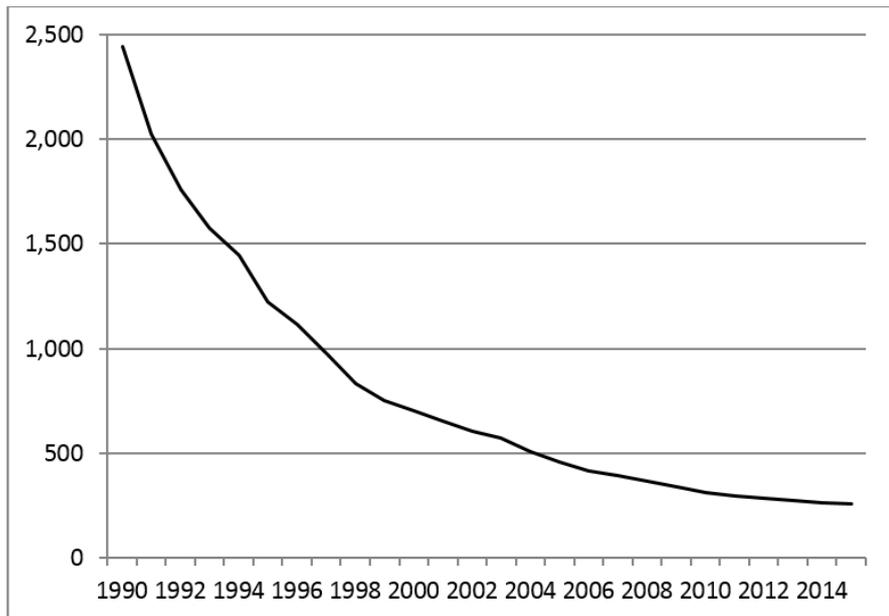
### **2.3. Trade union responses**

The economic crisis posed a peculiar predicament for trade unions as they had to cope with further flexibilization pressures and, at the same time, fight for their own legitimacy. At the end of 2008 and 2009, the trade unions announced that they were not going to press for a minimum wage increase, their main tool for influencing income policy in previous years. This cooperative attitude stemmed from their declared willingness to preserve jobs. Furthermore, at the onset of the crisis their political ally, Robert Fico's SMER, had control of the government and, for the sake of sustaining this association, the trade unions remained unopposed to the proposed measures. The trade unions also agreed and supported the implementation of Flexikonto as a temporary measure to avoid layoffs during the crisis. Nevertheless, their collaborative stance with the left-wing government turned out to be inconvenient after the 2010 change of government, and their dependence on political actors rendered them vulnerable and almost voiceless for a certain period. The new center-right government revoked all privileges the trade unions had gained under the previous government, including *erga omnes* extensions of sectoral collective agreements, salaries for trade union representatives at the company-level paid for by employers, and the

co-determination of anti-crisis measures at all levels (Bulla, Czírta, & Kahancová, 2014). Moreover, new rules on trade union representativity criteria were stipulated in the legislation, which entailed a further deterioration of social dialogue, especially at the company level. However, the trade unions soon gained back their position, after the 2012 elections when Robert Fico won a strong mandate with 44% of the votes and reversed the changes. Political involvement thus remained the trade unions' main tool and, at the same time, their main obstacle in protecting employees. Interestingly enough, hostile steps taken towards the trade unions in 2010 and 2011 did not trigger any protest actions or any other organized voicing of discontent (Czírta, 2012).

The trade unions' effort to preserve jobs proved inefficient in increasing their membership and in protect their existing members. After 2008, trade union density was affected by the economic crisis, which was accompanied by unemployment and a decline in real wages. The rationing of public spending led to job losses in the public sector and a decrease of trade union members working in the sector. The halting of economic growth, the decline in purchasing power due to job losses, wage cuts, and price increases, and the drop in market demand all contributed to further job losses in the private sector. As a result, the level of unemployment has left trade unions with reduced possibilities of increasing their membership (Čambáliková, 2008). As shown in Figure 4, the trade unions were incapable of turning the crisis into an opportunity and the number of members has continued to decline (Čambáliková, 2008; Uhlerová, 2015).

**Figure 4. KOZ SR membership: 1990 – 2015, in ths..**



Source: Uhlerová (2015)

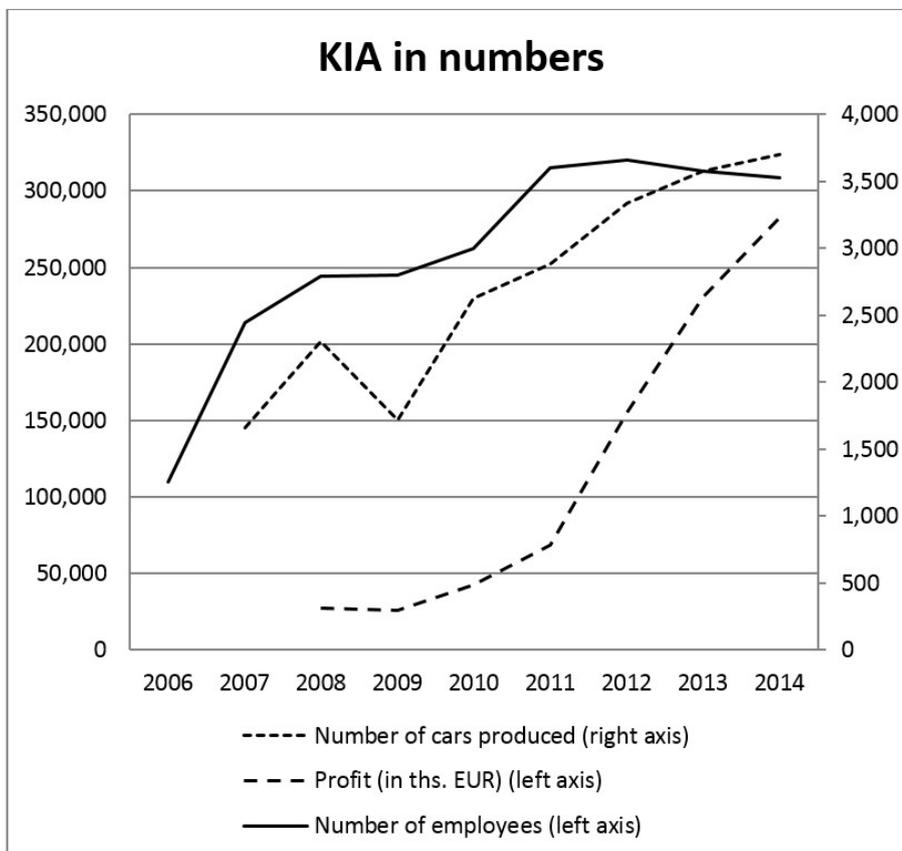
In sum, trade unions did not turn the crisis into an opportunity; instead, they relied on political partnership and did not go beyond their traditional tools of legislation enforcement. Their main priority was to maintain employment at the expense of a further deterioration of working conditions, which contributed to further reduction in their membership rates. The temporary suspension of their rights by the center-right government showed their vulnerability, although due to its the short duration it did not affect their position. The trade unions did not make use of their structural and organization powers

and instead preferred to rely on political alliances, which were reconsidered after each election. As we show in our case study, this relatively cooperative stance of the trade unions towards politicians (and employers) was transferred to the lower levels of social dialogue, including the company level.

### 3. CASE STUDY – THE KIA TRADE UNION: WEAK BUT IMPORTANT

In 2004, the Government of the Slovak Republic and KIA Motors Corporation officially authorized the construction of KIA’s first European automotive plant in Slovakia. Construction started in October, 2004, ended in December 2005, and production was launched in December 2006. Overall, KIA has invested 1.7 billion EUR in the Slovak plant, for a capacity of 350 000 cars per year. In the first year of activity, the KIA plant produced 142 371 vehicles, while in 2015 the number reached 338 000 cars (see Figure 5). With its arrival to Europe, KIA contracted VW’s main designer to work on the first KIA model to be designed and produced in Europe — the KIA Cee’d and KIA Cee’d Sporty Wagon, introduced in 2006. Currently, the Žilina plant produces the Cee’d (36% of production), the Sportage (55%) and the Venga (9%) models. The Slovak plant also produces engines. KIA employs 3 800 people and is one of the three biggest car producers and exporters in Slovakia.

**Figure 5. KIA’s employment, profits and car production.**



Source: KIA annual reports, own compilation.

### 3.1. Establishing social dialogue at KIA

A trade union was formed at Kia in December 2006, as a branch of the sectoral trade union KOVO (Odborový zväz KOVO – OZ KOVO)<sup>2</sup>. The initial number of members was a reason for hope: the union started with 300 members out of a total of 2 800 employees. The main reasons for establishing a trade union at KIA were, first, the need for a collective agreement to obtain wage increases and overtime payments for employees who were unsatisfied with existing arrangements; second, the need for proper work and safety regulations; and, third, the need for better communication between the employer and the workers.

The open reluctance of the employer preceded collective bargaining at KIA. After the establishment of the trade union in December 2006, their representatives tried to propose a collective agreement to the management. According to Slovak legislation, the employer is obliged to negotiate with a trade union in the workplace when a TU proposes to. However, there was nobody to accept the proposal on the employer's side and, moreover, trade union officials were issued a note for violating workplace discipline by spending work time searching for a way to deliver the agreement (SME, 2007). The sectoral trade union OZ KOVO, of which KIA's trade union is a part, decided to reveal this case to the media. At that time, KIA was a new enterprise and information about the working conditions and attitude towards employees was being followed by journalists. The failure in obtaining a collective agreement, accompanied with information of a suspected threat to employees and the denial of trade union rights, did not shed a good light on KIA and convinced management to sit down at the bargaining table (KIA TU representative (2016), Auto.sk (2007)). The first collective bargaining thus started in March 2007 and ended in September. Both the employer and trade unions claim that initial difficulties mostly stemmed from inexperience with collective bargaining and the early hostility of the employer. Regarding the content of the negotiations, the main issue was a wage increase and overtime payment. In the end, trade unions managed to bargain a 7% wage increase and a 50 crown bonus per day of work for the rest of the year. The agreement was only concluded in September 2007 and already a new round of negotiations was expected in November 2007 for the following year. The first finalized collective agreement in KIA Žilina enabled regular yearly negotiations and in this sense might be viewed as a trade union victory. However, for trade union, this rather difficult beginning to collective bargaining determined their moderate and cooperative position towards the employer.

As the timeframe of the beginnings of collective bargaining suggests, it was not an easy process. As viewed by the founding members of the trade unions, social dialogue improved in later years mostly thanks to the trade union's effort to negotiate. From the point of view of the employer representative, the initial reluctance from the employer side was mostly caused by a lack of knowledge of the Slovak social dialogue system (KIA employer representative, 2016). In this sense, we might assign the success of initializing and establishing social dialogue, in a highly reluctant South Korean company, to the established tradition and valid national legislation that assigns employees rights to representation and social dialogue. On the other hand, the simple coverage in the media of the initial failure to deliver the collective agreement proposal served as the main catalyst of the negotiations. The reason for the employer's reluctance stems mostly from the militancy of the South Korean trade unions, which has caused large production falls several times in the company's history. For instance, in 2012, strikes

2 OZ KOVO is the biggest sectoral trade union in Slovakia and unites employees in metal, engineering, automotive and related sectors. OZ KOVO had 69 500 members in 2015.

caused a production shortfall of 82 088 cars (Autonews, 2013). The threat of huge strikes in South Korea convinced the corporation to reallocate production of the Sportage model to Slovakia (KIA TU representative, 2016).

Even though the employer agreed to involvement in a social dialogue, its initial reluctance put the trade union in a more defensive position and activities and contact with employees at the workplace are strictly regulated despite recognition guaranteed in the collective agreement and in the legislation. The TU president is obliged to send a schedule of workplace visits to the management one week ahead. Moreover, trade unions are banned from the encouragement of employees to strike or even from organizing petitions. On the shop-floor, a trade union trustee is elected for each part of the line and present there at the time of his/her shift. Only the president of the trade union is released from the job and his salary paid for by the employer, as stipulated in the Labor Code. Additionally, trade unions do not sit in the plant but in the city center of Žilina. This is paid for by the employer and is explained by management's fear of the trade union's "dangerous proximity" to the workers. An employee may talk to trade union members at the workplace either when TU members have been announced to come to the workplace, which according to the trade union's officer is almost every day of the week, or they have to visit the trade union in the Žilina city center, which might be discouraging especially for those who commute. So far, the trade union has not tried to relocate within the plant premises as they consider this situation partially acceptable since it offers anonymity to the employees who visit the trade unionists, as some managers have tendencies to monitor and potentially suspend those who contact the trade union. The disadvantage is that the trade union is less accessible to employees.

By allowing a trade union to be present at the workplace, even under such a strict regime, the employer satisfies the legal provisions concerning trade union organization stipulated in the Labor Code. Provision 230(2) stipulates that an employer is obliged to allow employee representatives to be present at the workplace. Since it does not specify any rules and requirements, these are based on the agreement between the trade union and the employer. A remote seat seems to comply with the legislation as well, at least so long as it is paid for by the employer. Provision 240 (5) of the Labor Code stipulates that the employer provides, according to its operational conditions, premises with the necessary equipment and pays the costs related to the TU activities. KIA declares that no premises are available in the plant area and pays the rent elsewhere. Apparently, labor legislation does not ban the particularities we observe in the case of the KIA trade union, so KIA has taken advantage of this legislative loophole in order to openly ban the trade union from conducting their activities on the plant premises.

The regulated trade union activity, the remote seat, and their lack of radical action decrease their organizational potential. Current membership in the KIA trade union has reached 19%; with 800 members out of 3 500 employees (KIA TU representative, 2016); compared to 25% in PSA Trnava and 75% in VW Bratislava (KIA employer representative, 2016). Although the KIA trade union has recorded a rise in membership of 8% since 2008, it remains the lowest among car producers in Slovakia.

Trade union membership is also limited by local and individual factors. Despite the valid legislation preventing the persecution of trade union membership, employees perceive engagement as a possible reason for dismissal. The threat of unemployment with regard to specific family situations prevents employees from becoming members. For instance, young people mostly either do not care or are bound by mortgages and badly need a stable job and stable income. Similarly, people above 50 suffering from work illnesses are afraid of their future employability and thus would rather not support trade unions activities. All of the fear stems from individual cases of middle and lower management treating

trade union members at the workplace badly, e.g. by posting them to the most difficult positions or assigning lower personal bonuses or none at all. Lack of job opportunities in the automotive industry in the region plays its role as well. KIA's plant is located in the northwestern part of Slovakia, where unemployment is high and no other car producers are situated in reasonable proximity.

Since trade union activities among workers are strictly regulated, the trade union concentrates mostly on improving the working conditions of employees through collective bargaining. The trade union is satisfied with the current state of recognition. As they declared, everything written in the collective agreement is followed closely by the employer, including, for example, the obligation to provide the TU with information on employment and wage developments in the plant or other information necessary for collective bargaining (KIA TU representative, 2016).

The trade union's effort is visible in the wage increases. In 2008, the average wage was 916 EUR, while in 2009 it was 871 EUR; 832 EUR and 789 EUR respectively for blue-collar workers. However, in 2010, wages had already increased to 1088 EUR and 1150 EUR in 2011, mostly because of excessive overtime work. Over 9 years of collective bargaining, the basic wage of blue-collar workers rose by 200 EUR. Nevertheless, the trade union does not consider the current level of wages adequate. *"In this type of work, many illnesses occur. Once a person has a back ache, has carpal tunnel or something else, he would barely be able to find a different job. The salary is not worth the work done"* (KIA TU representative, 2016). Illness might be a valid reason to dismiss an employee, and therefore, people are afraid of job loss and unemployment. Although, the KIA trade union officer does not perceive the salary to be adequate, their demands for higher wages remain moderate. Being one of the "cheapest" plants within the company is obviously considered advantageous. Peaceful trade unions make the plant more reliable within the concern, especially compared to their militant South Korean counterparts. Also, the low membership base prevents the trade union from taking a more pro-active and offensive approach.

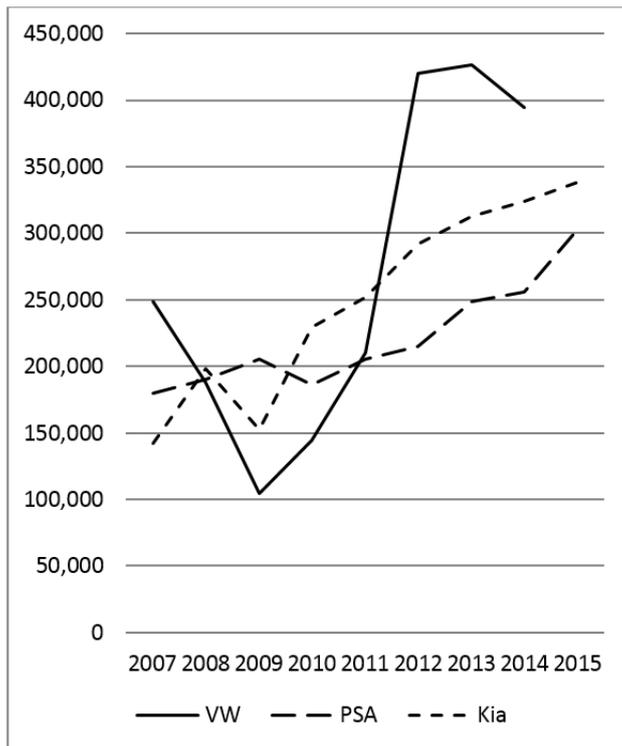
The role of the sector level organizations in the establishment of a social dialogue at KIA was mostly to provide legal assistance as well as the above mentioned media coverage of the proposal delivery. In general, sector level collective bargaining in the automotive industry does not take place and the sector's collective agreement is applied through an extension of the metal sector collective agreement. Current development in Slovakia moreover suggests that extensions of the collective agreements are unconstitutional and should be abandoned in 2016. Therefore, the automotive industry may find itself not covered by any sectoral collective agreement. Moreover, the sectoral collective agreement has had a very limited impact on actual labor relations in the sector (Martišková & Sedláková, 2016) and KIA derogates upward in all its provisions. This reflects a typical situation of "illusory corporatism" in which trade unions, through sectoral social dialogue, are able to guarantee only limited legal protection to workers (Avgadic, 2005), (Mailand & Due, 2004), (Ost, 2000).

In sum, trade unions at KIA use the maximum of their capacities to initiate social dialogue and reach a consensus with the employer. Through collective bargaining, they have managed to obtain higher wages, demand better working conditions for agency workers, as well as oppose the introduction of Flexikonto. The observed lack of direct action is determined by the structural factors related to a region marked by high unemployment and a lack of alternative job opportunities. The trade union's strategy is also driven by the fact that they consider the low labor costs of the company to be an advantage and a method of preserving production and workplaces in the company. The crisis and post-crisis period rather affirmed the trade union's cooperative position and the employer's hostility.

### 3.2. Crisis and post-crisis developments in KIA

When the crisis began in 2008, KIA Motors Slovakia was a young plant producing at half its capacity, which meant it was affected only moderately by the economic downturn, compared to other plants in Slovakia (see *Figure 6*). Also, KIA was the first plant of the South Korean concern established in Europe, so market saturation was not so high and drops in demand not so dramatic. KIA reported a drop in production of 23% only in 2009; however, its production figures remained 7% above those of 2007. In 2008, KIA employed 2 770 employees, of which around 2 400 were blue-collar.

**Figure 6.** Car production in Slovakia between 2007 and 2015.



Source: Own compilation based on data provided by car producers in their annual reports.

Based on the numbers of monthly production, the decline in KIA lasted 6 months, from November 2008 to April 2009. In November 2008, 89% of planned production was completed, in December it was 70%, and eventually increased to 100% of planned production in April 2009 (KIA TU representative, 2016). During these months, approximately 150 employees were laid off. However, a part of these layoffs might have been related to regular labor turnover. In that period, “*management declared its willingness to preserve jobs and, except for those 150 employees mentioned above, they succeeded,*” claimed a TU representative (KIA TU representative, 2016). This suggests that KIA’s management was quite confident about the aftermath of the crisis and did not expect long term problems in production. The reason was the diversification of the plant’s export destinations and the reasonably large export markets, as the KIA plant in Slovakia is meant to cover all of Europe, North Africa and Russia. Additionally, the decreased production at the onset of the crisis corresponded with the decreased demand.

Although the decrease in production was short, KIA introduced several temporary measures in trying to overcome these problems. This included shortening each shift by 15 minutes, which was considered to be an obstacle on the employer side; the time was paid at 60% of the normal wage as

stipulated in the Labor Code. The unworked hours were not redistributed, contrary to the Flexikonto regime introduced in VW Slovakia during the crisis and in other companies later on. As a result of the decrease in production, wages were decreased as well. Since the variable part of the wage oscillates around 30% of the overall payment and part of it is tied to production plan fulfillment, in 2009 bonuses were not paid. This caused a drop in average wages primarily among blue-collar workers. *“But people were not upset. They knew that we did not fulfill the plan, so there was no reason to get bonuses,”* claimed the trade union representative. This was also the reason why the trade union did not oppose these measures. As a trade union representative said, *“we agreed with the proposed measures, we would agree even to a greater reduction of working hours if necessary”* (KIA TU representative, 2016). Such a cooperative and non-conflicting stance has been attributed to the already mentioned local factors: unemployment in the region and KIA's position as the only employer of its kind in the northern part of Slovakia.

Regarding employment relations, even during the crisis, KIA was transferring temporarily employed workers to full-time, open-ended contracts as stipulated in the Labor Code and thus did not use the legislative opportunity for dismissals. Regarding agency work, 10% of KIA's workforce is made up of these workers, which is, compared to other car producers, a considerably low figure. For instance, in Peugeot, temporary workers constitute 45% of employees. Agency workers in KIA are covered by the collective agreement. They are entitled to the same bonuses including production, summer or Christmas bonuses, as well as other benefits.

In general, during the production downturn, the trade union stayed cooperative and loyal to the employer with the aim of reducing the impact on KIA employees. Fear of job losses led the trade union to agree to the proposed wage reductions. The reason was a lack of local labor market alternatives and high unemployment in the region. Instead, the trade union concentrated on bargaining over the exact form the temporary decrease in working hours and production would take, but did not consider industrial action.

Shortly after the crisis, KIA faced the opposite problem of increased production and insufficient capacity. The employer demanded extensive overtime work as the company still produced on two shifts. Even in this situation, trade unionists did not attempt to undertake more radical action and chose to rely on standard bargaining procedures. Trade unions mostly concentrated on campaigns meant to inform employees regarding their right to refuse overtime or weekend work. As the TU representative claimed, management made recourse only to legal ways in obtaining overtime work. *“They did not break any law provisions, but they exploited their power and competences to the ethical edge”* (KIA TU representative, 2016). This might also serve as an illustration of the importance of the legislative setting in employment relations at the company level as well as trade union weakness.

The only instance in which the trade union got close to striking occurred in 2013. Collective bargaining reached a dead-end when the trade union demanded a 1200 EUR bonus for each employee while the company proposed half that amount, together with a 25 EUR increase in basic tariff wages, while trade unions proposed 30 EUR (E15 news, 2013). The trade union insisted on the proposed amounts mostly because of the high profits the company had attained in the previous year, 155.4 million EUR (Pravda, 2013). On May 10, the trade union called off any strike preparations. By May 13, the employer had proposed a wage increase of 25 EUR and a bonus of 628 EUR paid directly to each employee. As employees were not sure whether this was the official result of collective bargaining or not, and the employer claimed that by not signing this proposal no increase would have been guaranteed, many employees signed it. This immediately served as an argument for the employer that employees

were willing to accept the proposal and that the requirements of the trade union were unfounded. In this situation, the trade union gave up on its pursuit of industrial action, agreed to another round of collective bargaining, and accepted the employer's proposal.

To conclude, the crisis and post-crisis developments at KIA confirmed the trade union's weakness and the employer's reluctance towards the union. The only recorded strike activity and open demonstration of discontent ended without any significant gains for the union. The weakness of KIA union's is mostly due to high levels of unemployment in the region, as well as a hostile employer who discourages militancy in trade union activity and prevents them from any form of radicalism in enforcing labor rights and protecting working conditions. The trade union in KIA has thus adopted a position that is distant from the employees in daily life but nonetheless addresses their labor rights through collective bargaining and consultations. In some sense this replicates the approach of trade unions at the national level in their focus on the legal setting and relative lack of attention toward working with current and potential members. This strategy has allowed the KIA trade union to negotiate detailed rules on employee remuneration and preventing work flexibilization and precarization; however, it limits their ability to fully protect employees at the workplace and to fulfill their mandate. Although the employer's strategy has changed from initial hostility to acceptance of the trade union, the employer exploits the legal setting to the maximum, in some cases to "the ethical edge". A good example is the restricted access of the trade union on the plant premises.

#### 4. CONCLUSION

In this study we investigated the responses of the trade unions to the changing labor market in Slovakia, which over the last decade has been marked by flexibilization and by a gradual rise of the inflow of FDI at the beginning and at the end of the 2000s. Trade unions' responses were initially very ambiguous. During the crisis, they supported some measures to maintain employment levels and in the post-crisis period set their sights on improving workers' protection, but mostly only via changes to the labor legislation. This required appealing to political alliances, adopting a defensive stance, and refusing to make full use of their organizational potential.

Trade unions at the local level, at least in our case study, replicated this approach. Their effort has mostly been concentrated on the improvement of workers' rights through the signing of collective agreements, similarly to the legislative efforts of TUs at the national level, while also making limited efforts to organize. The KIA collective agreement contains provisions on the protection of flexible workers and detailed rules of remuneration, which improves working conditions in the company. On the other hand, at KIA the trade union does not protect employees in their daily lives as the trade union has a very limited presence inside the plant, as TU leaders face restrictions in accessing the workplace.

The KIA plant in Žilina has remained sheltered from the effects of the crisis, with production dropping only for a brief period of time. However, the trade union did not profit from the post-crisis period, which was marked by high production figures and profits, and has remained rather cooperative. The only attempt at industrial action by the KIA trade union ended in failure and further confirmed their weak position in the relationship with the employer. This stance of KIA's trade union

has been influenced by local factors such as the lack of alternative labor market opportunities, but also by inter-company competition that leads to the valuing of cheap and reliable labor. Our case study shows that the KIA trade union prefers to stick to a cooperative attitude that does not pose any significant challenge to the idea of maintaining low labor costs, instead of exerting their organizational potential and demanding corresponding high wages and working conditions. In protecting the labor force, trade unions rely mostly on collective bargaining which, undoubtedly, contributes to job security and a reduction of work flexibilization but does not grant protection for workers in the workplace. The effort of the trade union is also constrained by the employer's lack of willingness to participate in social dialogue.

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