

# SCIENTIFIC INFORMATION

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## Collective bargaining and industrial relations in agriculture – the case of Slovakia

*Kolektívne vyjednávanie a pracovnoprávne vzťahy  
v poľnohospodárstve – prípad Slovensko*

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At present, the share of agriculture in GDP as well as in employment is less than 5%. Despite the fact that private farming is developing, agricultural cooperatives are still dominating. Trade union membership is traditionally low and trade unions exist mainly in organisations providing services. The trade unions recognise problems concerning dismissing of employees, low wages, overtime work and social protection of seasonal workers. The employers are complaining about high land taxes and unstable subsidies.

### BASIC INFORMATION AND DATA ON THE AGRICULTURE SECTOR IN THE COUNTRY

#### Organisation of the sector

##### *Number and structure of farms*

Until 1989, there existed only two dominant business forms in agriculture, i.e. cooperatives and state

companies. After 1989, they were transformed into farms of legal persons (different types of business companies and agricultural cooperatives) and individual farmers. Besides these two types, also farms of unregistered physical persons, considered as subsistence farms, can be included into the agricultural sector (Table 1).

#### *Land*

The acreage of used agricultural land has been decreasing in the last five years. Thanks to the new land identification according to the EU rules, the used agricultural land has decreased to 1 934 659 ha in 2004 (including 1 360 893 ha of arable land and 514 478 ha of permanent meadows and pastures). Grains (60.2%), bulk feed (17.4%) and industrial crops (14.9%) form the biggest proportion in the structure of agricultural land. Mechanisation, use of chemicals and computers is common; however, they differ in the individual farms and companies.

Table 1. Structure of subjects in agriculture in 2003

Form of ownership	Number of subjects	Average acreage (ha)	Share in the total land acreage (%)
Agricultural cooperatives	642	1 601	51.4
Business companies	937	934	36.4
Individual farmers	6 523	42	10.2
Subsistence farms*	63 528	0.5	2

\* Data from 2001

Table 2. Structure of farming animals

Type of farming animals	2002	2003	2004	Index 2004/2003
	(1 000 pieces)			
Beef cattle	607.8	593.2	540.1	91.0
Out of it cows	259.9	245.8	228.0	92.8
Pigs total	1 553.9	1 443.0	1 149.3	79.7
Sheep total	316	325.5	321.2	98.7
Poultry total	13 959.4	14 216.8	13 713.2	96.5

Source: Report on Agriculture in the Slovak Republic (Green report), 2001, 2002, 2003 and 2004

### *Number of farming animals*

In 2004, the development in numbers of all types of farming animals had a descending tendency. The reason was the repeated decline of the reproductive indicators of cows and pigs that was caused by surplus of milk and meat (slaughter pigs, poultry etc.) in the country as well as in the whole EU (Table 2).

### **Importance of the sector in the national economy**

The position of agriculture in the creation of GDP of the Slovak economy has decreased from 7.4% in 1989 to 4.04 in 2000. After 2000, it started to increase (with the exception of 2003) up to 4.7 in 2004. On the other hand, there was a continuous decrease of employment in the sector and the income disparity has deepened (with the exception of 2004) in comparison with the average wage in other branches of the national economy (Table 3).

### *Employment*

The production restructuring in the agricultural business organisations was followed by the decrease of number of workers (mostly of those who had their main job in the agriculture), deterioration of the age

structure and appearance of the so called agrarian unemployment. Employment in agriculture decreased from 304 000 workers in 1989 to 86 600 in 2004. This decrease was connected with cuts in the agricultural production and termination of non-agricultural activities in cooperatives (so called secondary businesses), which employed nearly 20% of agricultural workers before 1990. At present, the labour force in agriculture has been profiled into two types:

- Legally institutionalised structures; they are mainly composed of legal and physical persons. In 2004, they had 86 600 workers, including 7 100 persons as individual farmers (registered physical persons) and the rest in different types of farms composed of legal persons. Up to 90% of workers in agriculture have the status of an employee.
- Informal types of economic units that create almost 63 530 households fulfilling conditions for being farms that are called subsistence farms.

### *Age structure*

In 2001, there existed 32% of individual farmers older than 55 years. The farms of legal persons had only less than 10% of workers up to the age of 30 years, 54% were workers above 45 years of age and 33.2% workers were older than 50 years. These facts indicate a high average age of workers in agriculture. Due to the strong age group of 40–45 years old workers (16.5%) and the minimum interest from the side of young generation to work in agriculture, the Slovak agriculture age structure belongs among the worse ones in the EU countries. The lack of interest from the side of the age group around 30 is mainly connected with the low income and continuous economic uncertainty of doing business and being employed in agriculture. In the last years, often non-standard employment forms as well as absence of social security of seasonal workers etc. contributed to this tendency. The most stable one is the group of workers in the

Table 3. Role of agriculture in the national economy (%)

Share of agriculture	2001	2002	2003	2004
GDP (constant prizes)	4.26	4.49	4.14	4.70
Employment	5.56	5.23	4.75	3.94
Average wage	76.63	73.72	71.80	77.16

Source: Report on Agriculture in the Slovak Republic (Green report), 2002, 2003 and 2004

pre-retirement age where the minimum decline of number of workers was observed. The reason of this high stability and low mobility of workers of this age group is the willingness of rural inhabitants to work even for lower wage and in bad working conditions.

### ***Wages***

While in 1989 the wages in agriculture formed 107% of the average wage in the national economy, in 2004 the average wage in agriculture was SKK 12 210 (approximately 310 Euro) what formed only 77.2% of the average wage in the national economy.

### **Legal framework**

Standards for employment and working conditions in the agricultural cooperatives, business companies and farms are laid down in the Labour Code. The working hours are agreed upon 37.5 hours per week, however, the employers can require that the employees work 150 hours per year overtime and further 250 hours per year in agreement with the employee. The length of the basic vacation is four weeks and after working more than 15 years, it increases up to five weeks. In 2005, the minimum wage was defined up to SKK 6 500 monthly or SKK 37.40 per hour. However, in the sectoral collective agreement, the minimum wage was agreed up to SKK 6 680 (approximately 171 Euro). In 2004 the average wage in agriculture was only 183% of the minimum wage.

The social security of employees is standard and is also based upon the Labour Code. However, a special group of workers without social security are the seasonal workers. During the period when they are not employed, nobody pays contributions to insurance funds from their wage (pension, health, sickness insurance and unemployment insurance), they do not get unemployment benefits and are not covered by any scheme of social security.

A number of persons in the retirement age are concentrated exclusively with individual farmers where they formed approximately 20% of workers in 2003. These persons have been employed exclusively as seasonal workers at the farms of legal persons.

By 31 December 2004, the number of registered unemployed persons with their last employment in agriculture was 28 100 persons what presented 10.9% of the total number of the registered unemployed. At the same time, 56.3% of unemployed in agriculture were long-term unemployed (more than 12 months). These persons are not entitled to unemployment benefit, they do not have any social security and due to their

problems with integration into the labour market, they became a vulnerable social group.

## **DESCRIPTION OF THE SOCIAL PARTNERS IN THE SECTOR**

### **Professional/employers'/trade union organisations in agriculture**

Membership in professional, employers and trade unions organisations in agriculture is voluntary.

The Slovak Agricultural and Food Chamber (SPPK) is an autonomous institution with its mission to exercise the interests of employer's organisations in forming the economic and social policy. It provides consultancy and information services for the members, too. The SPPK represents in total approximately 2 500 employers organisations out of which approximately 1 800 are organisations active in agriculture. In the past, the membership in this organisation was obligatory for the employers, however, since 2005 it is voluntary. The SPPK is not represented in the tripartite Economic and Social Partnership Council (RHSP).

The Union of Agricultural Cooperatives and Business Organisations represent employers, too. It is a member of the Association of Employer Unions and Societies of the Slovak Republic (AZZZ SR) and at the same time a permanent member of tripartite RHSP. It represents interests of approximately 458 agricultural organisations, including 50 business companies.

The Agricultural Employers Union associates 36 entrepreneurial organisations, including 22 companies from the basic production and 14 service companies. It is also member of the AZZZ SR, however, it does not have a permanent representation in the tripartite RHSP. Situation in the employers organisations in agriculture is complex, as there exist several mutually competitive employers organisations that require membership fee from their members in order to support their office.

The Trade Unions of Employees in Agriculture (OZZP) is the only trade union organisation representing the interests of employees in agriculture. In 1989, it had more than 170 000 members in 696 organisations. At present, it has only 7 310 members in 140 organisations (approximately 100 organisations from the basic production and services, 40 from non-production sphere). The OZZP is a member of the Confederation of Trade Unions of the Slovak Republic (KOZ SR). The chairperson of the OZZP is a member of the KOZ SR Board. However, the OZZP

is not a permanent member of the tripartite RHSP. Trade union membership in agriculture, is very low. Out of the total number of employees in agriculture only 9% were organised in trade unions in 2004. The workers of the agricultural cooperatives are not organised in trade unions.

### **Roles and competences**

The OZZP realises collective bargaining with the Agricultural Employers Union and signs sectoral collective agreements, usually for a period of one year. The OZZP provides consultancy and represents its members also in individual labour conflicts (in 2004 there were 10 law suits with employers which were won by the trade unions). It secures also the transfer of information to the enterprise trade unions, training of trade union officials, assistance and consultancy during the enterprise collective bargaining etc. Besides this, it participates in commenting draft laws and processing of standpoints for tripartism. The OZZP staff consists of nine employees including a full time lawyer. The OZZP signs an agreement on mutual cooperation and exchange of information with the Ministry of Agriculture (MP SR) each year, e.g. on sectoral regulations, standards and demands. The OZZP is a member of the European Federation of Food, Agriculture and Tourism Trade Union (EFFAT). In the framework of the EFFAT, it elaborates basic documents for international comparisons, agricultural issues in the EU, seasonal type of work, migration, occupational health and safety and creation of favourable working conditions.

### **Points of view**

Since 2004, the so-called Single Area Payment Scheme (SAPS) has been used in the Slovak agriculture. In 2004, the agricultural sector was not able to push through the maximum (55%) of direct payments agreed with the EC. The Parliament approved only 52.5% of direct payments (together with the so called national supplementary payments in the system of direct payments). One of the principles of the reform of the Common Agricultural Policy, i.e. the principle of splitting the agricultural supports and the indicators of the range and type of agricultural production, was implemented in advance. Thus, aside from cooperatives, business companies and farmers, also the owners of even one hectare of land, have the chance to receive support. However, on the other hand, the principle of the Common Agricultural Policy supports

competitiveness of entrepreneurial subjects as well as labour market oriented and sustainable agriculture to the detriment of employment in the sector. Fixed payment per area paid per hectare of used agricultural land in solid agricultural conditions (43 Euro per hectare of the land), removes differences between the intensive and extensive areas in the provided support. Fixed payment per area does not raise any obligation to produce agricultural products or to adhere to the rule of setting aside the arable land. The applicant must fulfil the following conditions:

- the minimum acreage per farm must be 1 hectare
- individual ground-plot must be minimum 0.3 ha
- registration of the land in the Identification System of Agricultural Ground-plots (LPIS)
- maintenance of the agricultural land in good conditions.

According to the opinion of employers, including private farmers, there is a need to increase the limit for the overtime work for the peak seasonal employees laid down in the Labour Code. The enactment of the Act No. 582/2004 on real estate tax has increased the land tax dramatically and the real estate tax flows into the municipality budgets. Therefore, the employers propose to define maximum limits for the land tax. They require to eliminate the uncertainty and instability in the level of subsidies into agriculture (the state is resistant towards a slight increase in subsidies for agriculture and the agricultural subjects do not know how big the subsidies will be next year). They also consider problems in the drain of highly qualified experts from the agricultural sector and improvement of the branch profitability.

According to the opinion of the trade unions, it is required to prevent a mass dismissal of workers from agriculture at present, to increase the wage level mainly of manual workers, to improve adherence to the Labour Code and collective agreements from the side of employers, mainly business companies. They require the increase of social security for seasonal workers and prevention of extra work above the limits defined in the Labour Code (for the occupational health and safety reasons). They consider improvement of legal awareness of employees and provision of consultancy in labour issues to employees organised in trade unions as very important.

## **INDUSTRIAL RELATIONS IN THE SECTOR**

### **Main work conflicts over the past five years**

The OZZP tries to solve mainly the mass dismissals of employees caused by organisational changes,

breach of obligations written in the collective agreements (mainly in the field of wages and occupational health and safety), the cases of breaching the Labour Code, not paying wages and redundancy pay etc. In the last 5 years, the trade unions participated in the following social actions:

- Protest activities against the new Labour Code, that has considerably limited the role of trade unions in solving the individual legal labour conflicts
- Protest march through Bratislava against the severity of the government in the social policy reform
- Blocking of motorways and slowing-down the traffic at motorways as a protest against the antisocial government policy
- Protests at the Slovak-Czech border together with the Czech trade unions of employees in agriculture for achievement of the same conditions for subsidies from the EC as have the other EU 15 countries
- Protest meetings in front of the EU representation in Bratislava for the increase of the level of direct payments in agriculture.

Conflicts between the employees and employers are mainly on legal labour relations issues. There has been a long conflict between the farmers and food processing organisations that concentrated mainly upon:

- low purchasing prices of agricultural commodities that sometimes even do not cover the production cost of farmers
- financial indiscipline of food processing organisations in payments for the agricultural products.

#### **Frequent, current issues and recent initiatives in industrial relations in the sector**

At present the most important topics in the social dialogue are related to the integration of Slovakia to the EU, entrepreneurial problems in the Common Agricultural Policy (subsidies, direct payments, different level of support for the new countries), social security of employees in agriculture (mainly seasonal workers), low wages and observing the Labour Code provisions by employers.

#### **Types, content and levels of negotiation**

Collective bargaining is realised on the:

- sectoral level with representatives of the Employers Union in Agriculture mainly about concluding the branch collective agreement and employees' social security issues

- enterprise level by signing of the enterprise collective agreements, the framework of which is defined by the branch collective agreement.

Collective agreements cover approximately 25% of employees. In the branch collective agreement for 2005, shorter working hours – 37.5 hours per week – (the Labour Code determines maximum 40 hours) and higher minimum wage of SKK 6 680 (national minimum wage is SKK 6 500) were agreed. The redundancy pay and financial benefit at retirement were increased by one month payment above the limit of the Labour Code and the sickness benefits were increased by 5%. Enterprise collective agreements include also general provisions on vocational training and qualifications. Employment of seasonal and immigrant workers is usually not a special issue of collective bargaining.

#### **CONCLUSION**

The trade union membership of agricultural workers is very low. Though the collective bargaining is being realised, it covers only a relatively small number of employees. There is disunity and duplicity among the employers' organisations and a low representativeness of their central organisations.

In 2004, after two years of a total loss, agriculture reached profit of approximately SKK 150 million. This was achieved mainly by the help of the subsidies from the EU funds that the farmers got at the end of 2004. Agriculture is a branch that had the highest tendency to decrease employment in the national economy, the lowest wages and an old age structure of its employees. In the last years the entrepreneurial subjects, in order to decrease their labour costs, dismiss the permanent employees and employ them only as seasonal workers with different forms of part-time employment contracts. Therefore, a considerable amount of these persons used to combine their income from different external Contracts on Execution of Work with different forms of social benefits, mainly with the unemployment benefit.

However, since 2004 the new act on social insurance defines the right to receive unemployment benefit only for the person that has paid contributions to the unemployment insurance during at least three years in the period of the last four years. This group of seasonal workers does not fulfil these criteria what does not allow them to combine incomes from employment and social – unemployment benefits. Therefore, the living standard of these workers is being constantly lowered and they start to be socially

dependent. In the rural areas, a marginalised social group of agricultural population has emerged, that is mainly the segment of non-qualified, respectively low-skilled seasonal agricultural workers.

In the rural areas, there still exist differentiated types of subsistence farms of non registered physical persons, mainly in the group of agricultural population and pensioners. These activities of the rural

population create a certain substitution and compensation of the lowered purchasing power of this population. Although there is no massive financial income from these activities (it is the case mainly of in kind income), they help to solve at least partially the income deprivation of the rural inhabitants. In a certain way, they play a mitigating role at social impacts of the economic reforms.

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