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Problems with the car industry in Slovakia

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On 20th–25th June a strike was held in the Bratislava plant of the German car manufacturer Volkswagen which paralysed the work in the factory. Production of the most expensive cars (such as the VW Touareg, the Audi Q7) was halted and production of small cars was radically slowed down. Following intensive negotiations between the MOV trade union and the Volkswagen Slovakia management, the two parties decided on a collective agreement which included: a 14.12% pay rise in three tranches by November 2018; an increase in the minimum wage in the plant to 834 euros; and a one-off payment of 500 euros. The six-day strike in the plant was the largest protest held in a private company in Slovakia's history.

Commentary

- The strike in the Bratislava Volkswagen plant is a manifestation of growing pressure to increase wages in Central Europe, largely due to a shortage of skilled workers. In the Slovak car industry alone there is a shortfall of 14,000 workers and this number is likely to grow following the new investments (e.g. the opening of a Jaguar Land Rover manufacturing plant). The Slovak government is co-operating with companies in an attempt to boost the employment rate by encouraging larger mobility in people (the unemployment rate in Slovakia stands at 7.3% on average but in certain regions it can be three times as high as this). However, despite mounting pressure from the industry, the Slovak government is reluctant to further open up its labour market to foreign workers as it fears 'social dumping'.
- The trend on the Slovak labour market calls the country's current economic model into question since it is to a large extent based on attracting foreign investment with the promise of a cheap workforce, a relatively well-developed transport infrastructure, and the state's generous offer (tax breaks, donations etc.). The public debate in Slovakia and other Central European countries shows there is pressure to accelerate the process of catching up with Western European standards of living. While the countries in the region have been gradually narrowing the gap in terms of productivity (in Slovakia it represents 82% of the EU average), costs of labour in the private sector remain considerably lower (for Slovakia it was 41% of the EU average in 2016 according to Eurostat).
- Slovakia (as is the case with the Czech Republic) sees the opportunity to modernise its economy and to gradual increase the number of better paid jobs by working in collaboration with international corporations. The Czech and Slovak governments are trying to encourage them to invest more in research, innovation and co-operation with

schools and universities. This policy is linked to the two countries' governments' fears of the implications the changes in the car industry (digitalisation, the development of alternative motors, autonomous cars etc.) may have for economies in Central Europe. The future of the car manufacturers has also been discussed by Czech and Slovak prime ministers and by the German chancellor.

- The strike in Volkswagen's Bratislava plant has been met with mainly positive comments in the media and on the political scene in Slovakia. It has also received support from Czech trade unionists working in Volkswagen plants. Slovak employer organisations have warned against an exodus of foreign investors in response to inflated demands from trade unions (as with an earlier decision of car producers to move part of the production from Spain to Slovakia). Those criticising the strike pointed out that, given the Slovak wages market, the wages in Volkswagen plants should be considered to be high. However, both the left-leaning government and the neoliberal opposition (SaS) in Slovakia have backed the strike and the demand to more quickly close the gaps between wages in Slovakia and in Western European countries.
- The German media have not given much coverage to the strike in Volkswagen's Bratislava factory. Nor has there been a response from the company's headquarters. In press comments there have been criticisms of the demands made by the protesters, including in the context of the Slovak economy's dependence on the German car industry. From the German perspective, the Czech Republic and Slovakia still offer attractive conditions for investments, and so Berlin also treats the growing problem of the shortage of skilled workers in Central Europe seriously. In order to rise to this challenge, the German government intends to widely promote the German model of dual education system (vocational education combined with parallel apprenticeships in companies). Since 2013 the German Ministry for Economic Co-operation and Development, the Ministry for Economic Affairs and Energy, and the Ministry for Foreign Affairs have collaborated with supporting organisations such as the German Chamber of Commerce Abroad, trade unions and the state-owned bank KfW, to propagate this model of education abroad, including in the countries of the Visegrad Group. Treated as one entity, the economies of the V4 countries are Germany's largest trading partner and are important for German companies, particularly for the machine and car manufacturing industries.

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