

Social Dialogue Quality Index in the Slovak Republic

Executive summary

2021

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1. Introduction

Social dialogue can generally be described as a method by which interest groups operating within the labor market negotiate the conditions of mutual functioning. Even in the individual countries of the European Union, which are based on a common tradition and historical experience in dealing with social issues, we encounter significantly different settings of the institutional framework of social dialogue. However, despite the diverse approaches, the purpose of social dialogue as a method of maintaining social peace remains a fundamental common feature. According to the UN, effective social dialogue is a prerequisite for healthy and stable labor relations, which in turn contribute to the improvement of other aspects of working conditions. Especially within the tripartite system, social dialogue also plays another key role in creating space for an additional level of democratization of the country's social and economic policies.

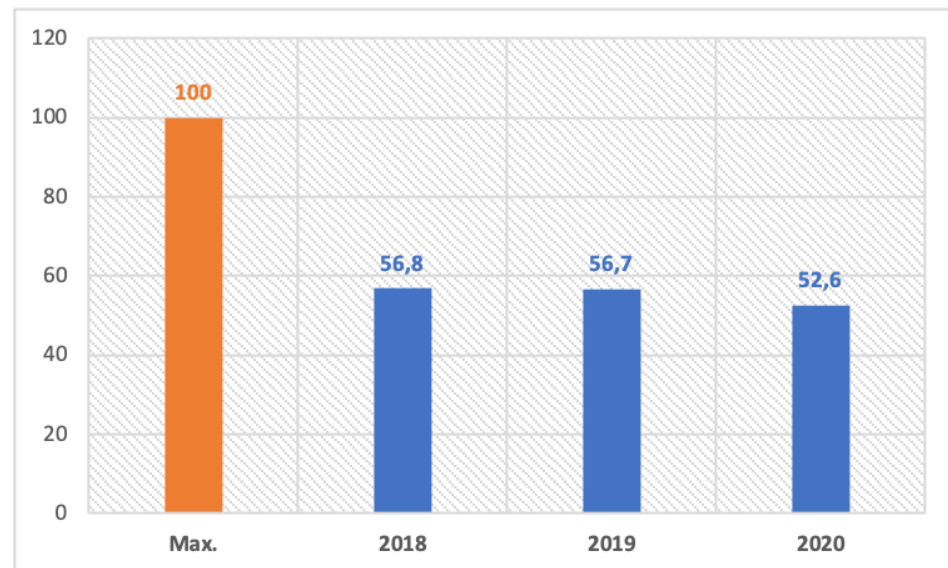
However, social dialogue itself, as a long-established tool, requires innovation that will add relevance and effectiveness to it in the context of modern approaches to policymaking. First of all, it must be clearly demonstrated that social dialogue is currently no longer carried out as a tradition and only for the action itself, but on the contrary that it also brings tangible outcomes and therefore continues to have a firm place in the current democratic process. The first and perhaps most important step on this path is to make an effort to meaningfully quantify social dialogue in terms of its quality and also the results achieved. This is the goal of this publication, which brings a comprehensive proposal for the Social Dialogue Quality Index in the environment of the Slovak Republic.

2. Methodology

The Social Dialogue Index in the Conditions of the Slovak Republic is a combination of 28 separate indicators, which are grouped in five thematic components: I. Intensity of Social Dialogue, II. Working conditions, III. Vitality of the labor market, IV. Quality of legislation and finally V. Business environment. Each of the 28 individual indicators contributes equally to the final result of the Index. The input data for each indicator are converted within the Index on a scale of understandable

points from zero to one hundred. A higher number in the point rating of the indicator means a relatively better result. Each indicator thus has a theoretical maximum value of 100 points, while the theoretical maximum value of the entire Social Dialogue Quality Index is 2800 points. The overall results of the Index are then also presented on a 100-point scale. The value of the index for a given year thus represents the percentage share of the achieved point rating on the theoretical maximum achievable value. Thus, if, for example, Slovakia achieved 1472.4 points out of 2800 in the Index in 2020, the final evaluation of the Index for this year is 52.6. At this point, however, it must be emphasized that both extreme values for each of the indicators are of a theoretical nature and in practice it is largely highly unlikely that they will be achieved. It is therefore true for the index that the emphasis is more on The Comparability Of Year-On-Year Development Than on Moving Towards a Theoretical maximum evaluation.

Graph 1: Overall ranking of Social Dialogue Quality Index 2018 to 2020



Source: Author's calculation

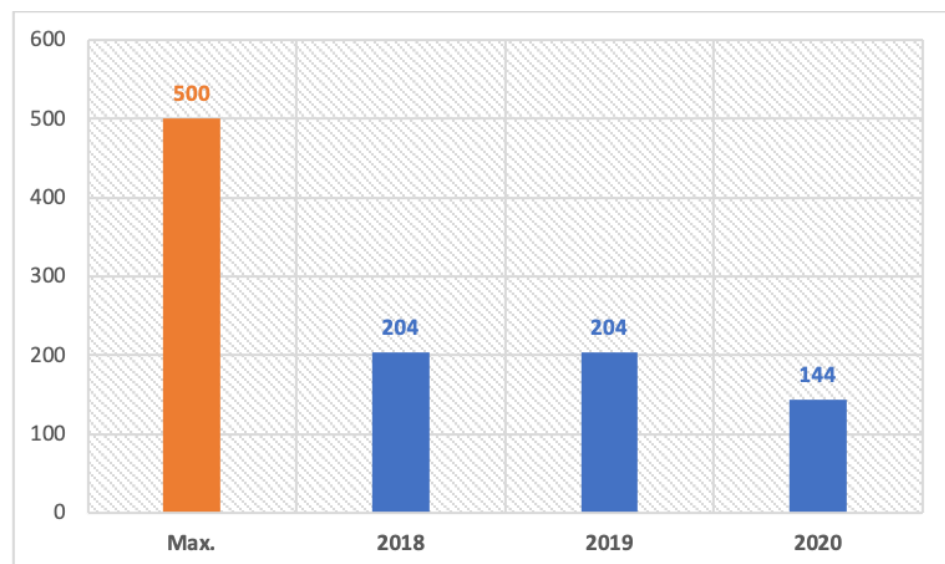
Detailed structure of Social Dialogue Quality Index and the ranking for the years 2018 to 2020 is further evaluated below according to developments in individual Components of the Index.

2.1 Component I: Intensity of social dialogue

The first component of the Social Dialogue Quality Index includes five separate indicators: I.1 Employers' participation in business associations, I.2 Employee participation in trade unions, I.3 Coverage of employees by collective agreements, I.4 Periodicity of Economic and Social Council meetings and finally I.5 Annual number of National Union of Employers comments on legislation. These five indicators, which make up Component I, form the basis for any further evaluations that are the subject of the following components of the Index. For social dialogue to be genuinely good - not only as a process but also in terms of its results – it must actually take place.

Under Component I, Slovakia achieved an evaluation of 144 points in 2020 from the theoretical maximum of 500, which is a significant deterioration compared to the value of 204 points for both 2019 and 2018. Behind the steep deterioration of the assessment of Component I in 2020, it is possible to clearly observe a point drop in Indicator I.4 Periodicity of negotiations of the Economic and Social Council. This is a consequence of the constraints associated with the Covid 19 pandemic, which have also fundamentally affected the intensity of social dialogue at tripartite level.

Graph 2: Development of the evaluation of Component I for the years 2018 to 2020



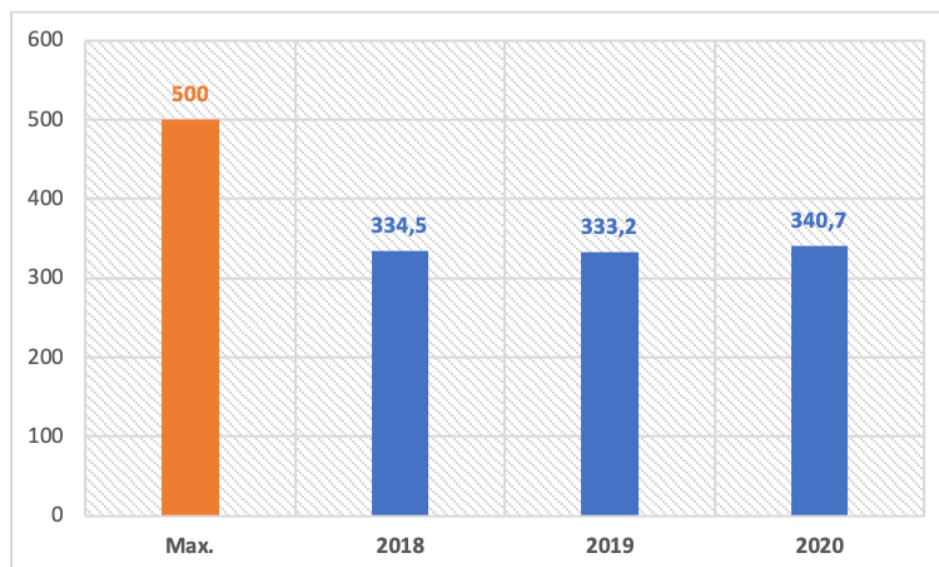
Source: Author's calculation

2.2 Component II: Working conditions

The second component of the Social Dialogue Quality Index includes five separate indicators: II.1 Total part-time employment, II.2 Involuntary part-time employment, II.3 Incidence of accidents at work, II.4 Gender pay gap and II.5 Quality of workplace relations. These indicators, which form Component II, are compiled in such a way that to provide an assessment of the quality of social dialogue in terms of its desired results in the development of the quality of working conditions. This is one of the key interests for which social dialogue is pursued at all. Component II therefore monitors the quality of social dialogue, especially from the point of view of employees, by combining indicators that draw on statistical data as well as indicators that are based on questionnaire surveys.

Under Component II, Slovakia achieved a rating of 340.7 points in 2020 from a theoretical maximum of 500 points. Compared to 333.2 points for 2019 and 334.5 points for 2018, this is a slight improvement. This can be attributed mainly to developments in Indicator II.2 Involuntary part-time employment and Indicator II.4 Gender pay gap.

Graph 3: Development of the evaluation of Component II for the years 2018 to 2020



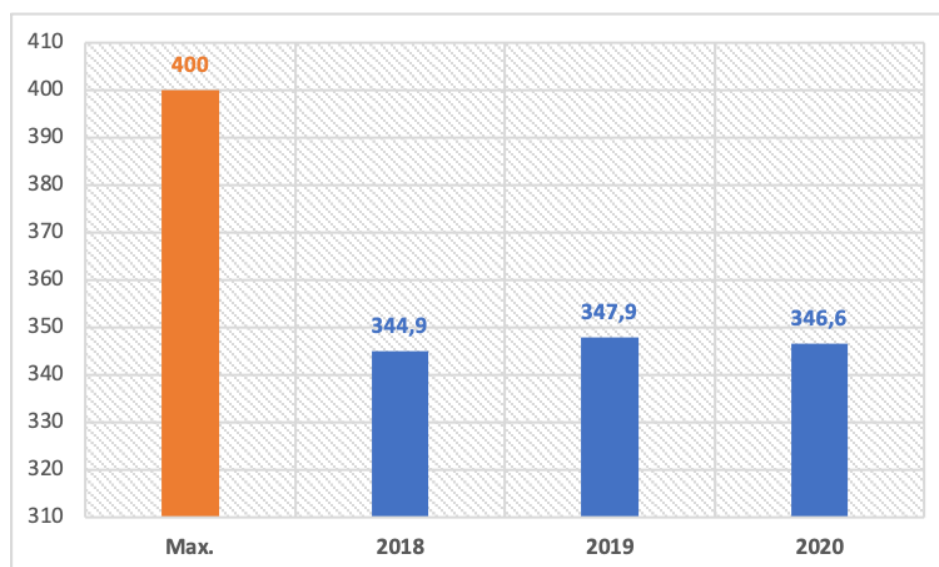
Source: Author's calculation

2.3 Component III: Labor market vitality

The third component of the Social Dialogue Quality Index includes four separate indicators: III.1 Employment, III.2 Unemployment, III.3 Labor productivity and finally III.4 Adequacy of the minimum wage. All indicators making up Component III are calculated on the basis of hard statistical data. Component III is assembled in such a way that to provide the Social Dialogue Quality Index with a macroeconomic insight indicating the current vitality of the labor market in a given year. The assessment of the third component is based on the implicit assumption that general economic development plays a significant role in the vitality of the labor market.

Under Component III, Slovakia achieved an evaluation of 346.6 points in 2020 from a theoretical maximum of 500 points. In comparison with a rating of 347.9 points for 2019, this is a slight deterioration. However, the last two monitored years showed better results than 2018. Driving factor was mainly Indicator III.2 Unemployment, in which it was possible to observe an improvement between 2018 and 2019. This corresponded to the robust growth of the economy and the labor market. In this period, Slovakia recorded its historically lowest levels of unemployment. However, the assessment deteriorated significantly again in 2020 as a result of the Covid 19 pandemic.

Graph 4: Development of the evaluation of Component III for the years 2018 to 2020



Source: Author's calculation

2.4 Component IV: Quality of legislation

The fourth component of the Social Dialogue Quality Index includes ten separate indicators. These represent the following ten key laws regulating the form of the business environment and labor relations in Slovakia.

Table 1: List of evaluated laws within Component IV

| | |
|-----------------|---|
| Indicator IV.1 | Act no. 311/2001 Coll. Labour Code |
| Indicator IV.2 | Act no. 124/2006 Coll. on safety and health at work |
| Indicator IV.3 | Act no. 461/2003 Coll. on social insurance |
| Indicator IV.4 | Act no. 580/2004 Coll. on health insurance |
| Indicator IV.5 | Act no. 595/2003 Coll. on income tax |
| Indicator IV.6 | Act no. 222/2004 Coll. on value added tax |
| Indicator IV.7 | Act no. 513/1991 Coll. Commercial Code |
| Indicator IV.8 | Act no. 455/1991 Coll. on trade business |
| Indicator IV.9 | Act no. 431/2002 Coll. on accounting |
| Indicator IV.10 | Act no. 428/2002 Coll. (resp. No. 18/2018 Coll.) |

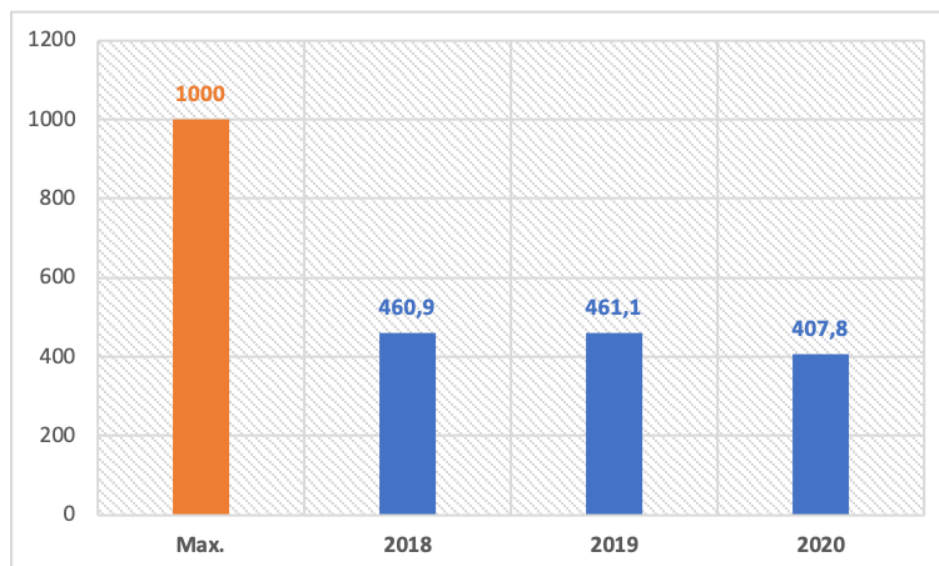
The evaluation of the quality of each law is calculated on the basis of the following four sub-indicators:

- A. Year-on-year increase in the number of standard pages of the law
- B. Number of amendments to the law per year
- C. Number of comments in the legislative process per year
- D. Year-on-year increase in regulatory costs of the law

Within the indicators of Component IV, Slovakia achieved an overall evaluation of 407.8 points in 2020 from the theoretical maximum of 1000 points. Compared to the evaluation of 461.1 points for 2019 and 460.9 points for 2018, this is a sudden and sharp deterioration. With two exceptions, there was a decrease in ratings for all indicators examined. In the end, component IV was the main factor responsible for the resulting decline in the assessment of the entire Social Dialogue Quality Index for 2020. This development can be largely attributed to frequent and

controversial changes in the legislation under review during the Covid 19 pandemic.

Graph 5: Development of the evaluation of Component IV for the years 2018 to 2020



Source: Author's calculation

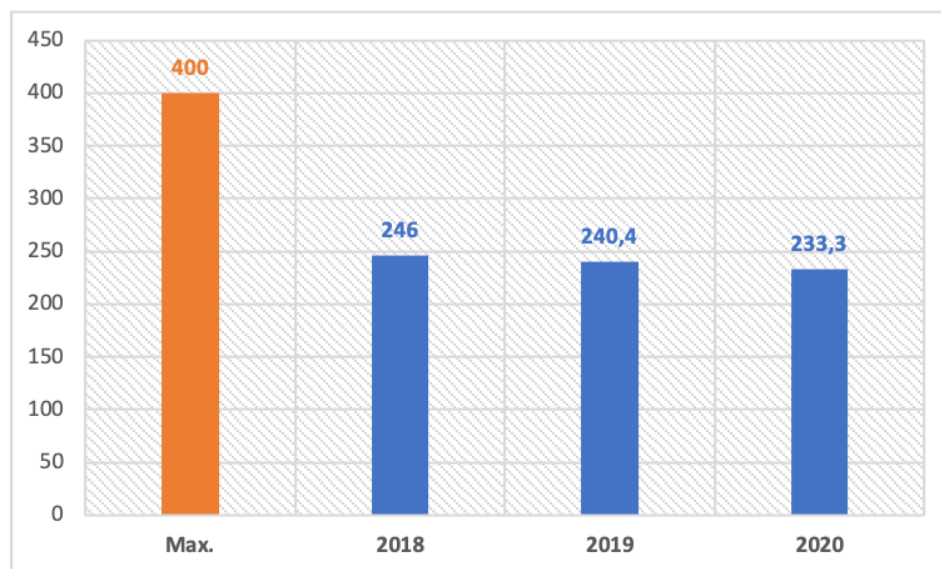
Component V: Business Environment

The last, fifth, component of the Social Dialogue Quality Index includes four separate indicators: V.1 Doing Business, V.2 Index of Economic Freedom, V.3 World Digital Competitiveness Ranking and finally V.4 Eco-innovation Index. All indicators forming Component V are therefore calculated on the basis of Slovakia's evaluations in renowned international rankings. These are usually compiled on the basis of a combination of quantitative and qualitative inputs – hard statistical data, questionnaire surveys and own specialized metrics. Each of these

rankings offers an objective and internationally well-comparable assessment of key aspects of the business environment.

Within the indicators of Component V, the Slovak Republic achieved a point rating of 220.2 in 2020 from a theoretical maximum of 400 points. Compared to the previous years 2019 and 2018, this is a slight improvement in the overall evaluation of this component.

Graph 6: Development of the evaluation of Component V for the years 2018 to 2020



Source: Author's calculation

Suggestions for future additions to the Index

The Social Dialogue Quality Index, as presented in this publication, must be considered as an introductory working concept. It is based on previous experience with the functioning of social dialogue in Slovakia and was compiled on the basis of statistical data and other input information that were available at the time of compiling this publication. In the future, this initial draft of the Index is open to the addition of new input data, as well

as other separate indicators that will help to quantify the quality of social dialogue in Slovakia even more truthfully. Eleven such proposals are presented, which could not be included in the initial version of the Index but would be a suitable addition for its future versions:

Indicator Y.1: Employers' participation in unions

Indicator Y.2: Employee participation in trade unions

Indicator Y.3: Coverage of employees by collective agreements

Indicator Y.4: Quality of workplace relations.

Indicator Y.5: Regulatory costs of legislation

Indicator Y.6: Shortened legislative procedure

Indicator Y.7: Parliamentary bills proposed by the MPs

Indicator Y.8: Successful comments from employers' representatives

Indicator Y.9: Successful comments from employee representative

Indicator Y.10: Perception of the quality of the legislative process

Indicator Y.11: Perception of the quality of social dialogue

Potential for international cooperation

The Social Dialogue Quality Index in the presented form represents an introductory proposal, so to speak, a first step, not only due to the possibilities of future content additions, but also with regard to the potential of its international overlaps.

A potential second step could subsequently be to expand this originally Slovak project with new cooperation with partner institutions from other European countries. These should include not only representatives of employers and employees, but also academic experts. Such links would be welcome, on the one hand, to further improve the initial design of this Index. Above all, these partners would provide an opportunity to share new theoretical insights and experiences with the institutional and practical functioning of social dialogue.

Given the importance that the institutions of the European Union attach to social dialogue, space is subsequently opened for the third step. This could be an extension of this project to the European level. Building a robust Social Dialogue Quality Index that is internationally comparable could ultimately kick-start efforts not only to further improve but also to increase the relevance of this proven tool.