

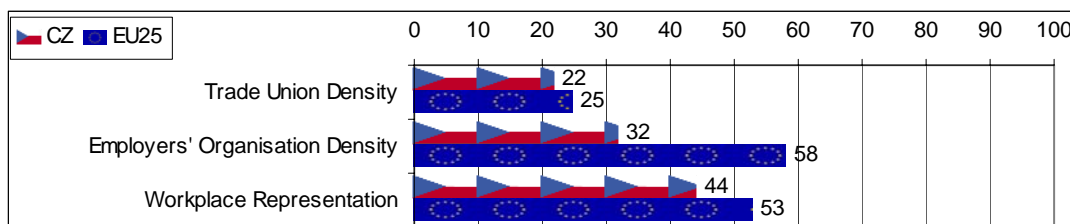
**CZECH REPUBLIC**  
**Industrial relations profile**

## Facts and figures

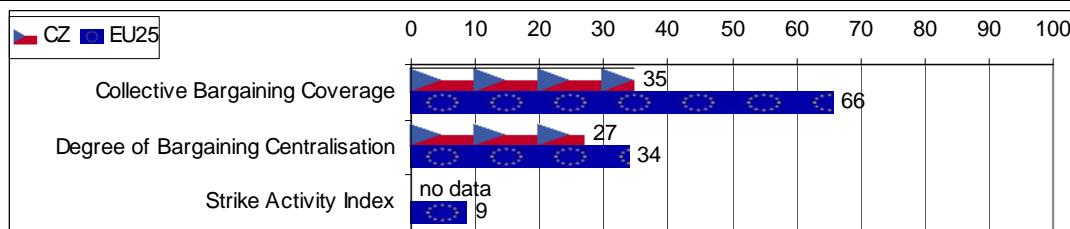
Area: 78,866 sq km  
 Population: 10.2 million  
 Language: Czech  
 Capital: Prague  
 Currency: Czech koruna (1 euro = 30.2 CZK)

Overview	Czech Republic	EU25
<a href="#">GDP per capita in PPS (EU25=100 / 2004)</a>	70.3	100.0
<a href="#">Real GDP growth (Average 2000–04)</a>	3.1%	2.1%
<a href="#">Productivity growth (Average 2000–04)</a>	4.8%	2.0%
<a href="#">Inflation (Average 2000–04)</a>	2.5%	2.2%
<a href="#">Employment rate (Average 2000–04)</a>	64.9%	62.8%
<a href="#">Unemployment rate (Average 2000–04)</a>	8.0%	8.7%

### Main actors



### Industrial relations processes



Outcomes	Czech Republic	EU25
<a href="#">Gross annual earnings (2001)</a>	5,148 euro	28,619 euro
<a href="#">Minimum wage (2004)</a>	439 pps	
<a href="#">Monthly labour cost (2004)</a>	842 euro	2,888 euro (2003)
<a href="#">Collectively agreed pay increase (Average 2003–04)</a>	+4.0%	+3.0%
<a href="#">Actual pay increase (Average 2003–04)</a>	+6.6%	+2.9%
<a href="#">Female employment rate (Average 2000–04)</a>	56.6%	54.7%
<a href="#">Gender pay gap (2002)</a>	76%	75%
<a href="#">Collectively agreed working hours (Average 2000–04)</a>	38 hours	37.9 hours
<a href="#">Usual weekly working hours (Average 2000–04)</a>	41.7 hours	40.5 hours

## Overview

The ‘velvet revolution’ of 1990–91 and the transition to a new order opened up new creative opportunities for change after the unsettling experiences of the Prague Spring in 1968 which had suppressed public – and to some extent economic – activity. In keeping with the widespread desire for order and consensus in the Czech Republic, these changes were discussed at length at tripartite round tables with, therefore, a lack of stimulus for far-reaching economic and political changes.

In the wake of the transition to EU membership, a series of new labour laws followed for the regulation of industrial relations. The key statutes were:

- The Law on Associations (1990), Law on Trade Union Pluralism (1990), Law on Collective Agreements (1991), Law on Employment (1991), and the Laws on Wages for private companies and on salaries for the public sector. The very detailed Labour Code (adopted in 1965) was completely revised in a protracted process in the late 1990s in order to meet EU requirements, and came into force in 2001.
- The Labour Code provides comprehensive regulation of all aspects of the employment relationship, including working hours, maximum overtime (150 hours a year), short time and temporary stoppage (layoff) in agreement with workplace trade union organisations, holiday entitlement, and health and safety.
- In 2001, the ‘Czech model’ of a one-channel institutional workplace representation – when there is no union representation – was introduced. The principles of this model were also adopted in Lithuania (2003) and in Poland (2006).

The consequences of the development of industrial relations structures include a social concertation in the Council for Social and Economic Agreement (based on a tripartite agreement of 1997) coupled with a reluctance to foster autonomous and representation-based labour relations, particularly at sectoral level. Another development was the renewed concentration of share capital in the hands of the new management and of investment funds, in the wake of the popular privatisation measures. Recently, foreign direct investment has gained importance.

As central element in the social order, the trade union umbrella association, CMKOS, plays a strong political role. Support for wage bargaining and dealing with industrial conflicts are the main challenges for trade unions.

## Main actors

### Trade unions

The dominant trade union is the Czech-Moravian Confederation of Trade Unions (*Českomoravská konfederace odborových svazů – ČMKOS*), the biggest trade union federation in the territory. In 2004 there were 34 trade unions, with 611,000 members, affiliated to ČMKOS. The largest affiliate is the metalworkers’ union. CMKOS stresses its non-party character, although its substantive positions place it near the Czech Social Democrats and, in some respects, the conservative Popular Party. Some 70% of trade union members are in organisations affiliated to CMKOS.

There are also several smaller union centres; in some cases these are occupational (such as ‘radical’ railway workers) and in others political or religious. These have joined together in the Association of Autonomous Trade Unions (*Asociace samostatných odborů – ASO*), which was

established in 1995. Membership in its trade unions is declining. In 2004 ASO comprised 14 trade unions with 170,000 members. Its influence is fairly limited – including at workplace level and for collective bargaining.

Other small union centres include:

- The Confederation of Art and Culture (Konfederace umění a kultury – KUK). In 2004 its 13 member unions and associations had 59,000 registered members.
- Trade Union Association of Bohemia, Moravia and Silesia (Odborové sdružení Čech, Moravy a Slezska – OS ČMS). Founded in spring 1991 OS ČMS has about 100 trade union organisations. In 2004 it declared that it had 15,000–17,000 members, more than 50% of whom are retired.
- Christian Trade Union Coalition (Křesťanská odborová koalice – KOK). In 2001 KOK had almost 15,000 members. Its membership is in decline, with KOK declaring 9,000 members in 2004.

Overall union density is currently 22% (2004) [Average of ESS survey data of 2003 (21%) and CVVM national opinion survey data (reported by EIRO) of 2003 (22%)]. In 1995 it was about 46% (European Commission 2004:19) and declined to less than 30% after 2000 (Kotikova, et.al. 2002). Trade union membership is generally expected to keep falling.

### **Employers**

There are two big confederations:

- The original largest employer organisation is The Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy ČR – SP ČR), which consists of 30 organisations and professional associations affiliating about 600,000 employees in 1,573 companies. The confederation is a member of UNICE and other international organisations. It was established in 1989 by directors of state-owned companies and underwent profound restructuring after privatisation.
- The Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic (Konfederace zaměstnavatelských a podnikatelských svazů ČR – KZPS ČR), consisting of five organisations and about 600,000 employees in member companies. It has grown strongly and overtaken the Confederation of Industry (European Commission 2002: 121).

The Association of Construction Enterprises was always an exception. Even after privatisation it represented at least 75% of companies in the sector and has its own representative on the Tripartite Council for Economic and Social Agreement (RHSD).

There is also an Association of Entrepreneurs, which represents mainly SMEs across all sectors and is also member of the tripartite council.

The Czech Statistical Office estimated employer density at 32% of employees at the end of 2004 [2004, National expert report to the Foundation by Kroupa & Hala (2005)].

## **Industrial relations processes**

### **Collective bargaining**

#### *Levels of collective bargaining*

The role of collective agreements is legally determined within a clear hierarchy. The top level consists of statutory framework provisions followed by framework agreements and finally, company agreements. Employment law also imposes narrow limits on the scope of collective bargaining. In addition, there is no precise official definition of the branch, which means that sectoral dialogue and sectoral agreements are necessarily confined to the framework of multi-

employer meetings. Each year, after careful analyses and in cooperation with its member unions, CMKOS fixes the desired rates of wage increase as guidelines for negotiations.

Company agreements predominate. In 1998, 4,971 workplace agreements were concluded by workplace union organisations affiliated to branch unions that were members of CMKOS. These covered some 1,450,000 employees, or about 30% of the workforce. This is a decline of 25% from 1994 in terms of both the number of agreements and the number of employees covered. The figures for 2002 were 4,313 workplace agreements covering 1,076,700 employees (2003: 4,007 covering more than 1,13 million, according to data from CMKOS (Čornejova et. al. 2004). If both sides are interested, it is possible to conclude higher level or sector-level agreements. However, it is hard to identify a clear trend in this respect. For example, in 1998 12 CMKOS member unions agreed on 24 sector-level agreements covering more than 500,000 employees (12% of the workforce). This was about 25% less than in the previous year, mainly because employer associations refused to conclude or extend sector-level agreements.

The public sector is not subject to sector-level negotiation.

From the employers' side, there has been greater emphasis recently on individual employment contracts, especially in joint ventures. These contracts can also address particular aspects of discipline at work.

#### *Coverage rate*

In 2000, in addition to the 470,000 employees covered by 22 multi-employer agreements 175,000 were covered by extensions to employers with similar economic actions and conditions. This increased to more than 290,000 in 2002 (when five of 20 agreements were generally expanded). Currently, sectoral coverage by multi-employer agreements in the private sector is 19% (Kotiková and Bittnerová 2002:162).

The proportion of the workforce covered by company agreements is about the same, although declining. Taking these different forms of agreements into account the overall company and multi-employer bargaining coverage is 35% of employees and seems stable at this level.

#### *Extension of collective agreements*

Recently the coverage of some sector-level agreements increased to much higher levels, mainly because of more extensions. However, in 2004 a new discussion began about general extension of multi-employer (higher level) agreements, following a decision of the Constitutional Court. The court demanded a certain representativeness of the social partners involved and a possible judicial review to avoid too much extension by an amendment of the respective law. General extension was rescinded until a political decision is reached.

A new law on extension of higher level agreements in cooperation with the social partners came into force in 2005. On the basis of a joint request by the contracting parties (at least one of them representing the most employees in the branch) a higher level agreement can be declared binding on other employers with similar activities in the branch.

#### **Workplace representation [Year: 2002-2003; Source: European Social Survey; public and private sector; % of employees with union or works council at the workplace].**

In order to provide all employees with a right to information, consultation, and participation in line with EU norms, from January 2001 – in connection with a fundamental revision of the Labour Code – enhanced provisions were introduced for employee representatives. Following a compromise agreement with trade unions, these provide for the establishment of an institutional form of employee councils in companies without workplace trade union organisations. This provision clearly differs from the dual representation systems in some other European countries. Under the new law a union organisation and a works council cannot co-exist in the same

establishment. Works councils can operate only if there is no union. Even an established works council must cease to function if a trade union organisation starts.

Work councils are not entitled to collective bargaining so they cannot conclude collective agreements. So far there are only a few works councils.

### **Policy concertation**

The Council for Economic and Social Agreement was established in 1990 with a tripartite composition of seven representatives from government, employers, and trade unions. Despite a period of crisis (1995–1998) and changes in government concertation was carried on both at the central level as well as in a variety of tripartite working parties. The results of that process included higher wages for public sector workers and an increase in the minimum wage.

Some craft unions argue that agreements concluded in the tripartite framework are of value only when they have been matched by corresponding agreements at sector level.

### **Industrial conflict**

Since 1989 there have been no major strikes at branch level except for some actions in the public sector. This might be attributable to restrictive legislation. Industrial action is possible only when negotiations have failed, mediation has not yielded an acceptable compromise, and recourse to compulsory arbitration has not been taken.

Industrial action must be preceded by a ballot in which the proposal to strike must be supported by more than 50% of employees covered by the collective agreement. Moreover, the union organisation must inform the employer three days before the planned start of the strike. The employer must also be given a list of all employees participating in the strike. Strike activities and recorded cases are thus rather negligible (EIROOnline 2005/01cz).

## Outcomes

### Wages

*Minimum wage [Year: 2004; Eurostat statistics in focus 2004/10]*

In 1991 the government introduced the national minimum wage as minimum standard for employed workers in all sectors for hourly and monthly pay.

The following table shows the development of the minimum wage in proportion to the average wage.

	1995	1997	1999	2000	2001	2002	2003	2004	2005
Monthly minimum wages (euro)	63	70	98	126	147	185	195	210	231
Minimum wage as a percentage of average wages	26.9	23.4	28.4	33.3	34.1	35.9	36.6	37.2	nd

Source: Statistical office of the Czech Republic; EIRO 2005b

Since 2001, the minimum wage has been increased to about 15% above the subsistence minimum, reaching a higher level of 135% in 2005.

Minimum pay standards are the basis for collective bargaining in companies. They are increased by an average 12%, according to CMKOS statistics.

*Average gross annual earnings [Year: 2001; Eurostat Statistics in focus 2003/25] and monthly labour costs [Year: 2004; Eurostat structural indicators]*

Average earnings remain moderate compared to the European average, but they increased steadily by 22% between 2001 and 2004.

The comparative advantage of labour costs versus the EU average is evident, as is the difference in real unit labour costs. Between 2000 and 2004 labour costs slowly increased, with an index of 101.8 (2000 = 100), while the average in the EU25 decreased to 98.9 (EU15: 99.2) in the same period.

*Pay increases [Years: 2003-04; Source: EIRO annual pay review; ETUC collective bargaining report]*

The average rate of nominal pay increase in 2003–04 by collective agreements was 4.4%. The demands of CMKOS for wages increase in 2004 were 6% (in 2003: 7%). The results in agreed pay increases were 4.1% in 2003 and 5.2% in 2002, according ETUI (Čornejova et.al. 2004). The average pay increase between 2003 and 2004 was 6.6%.

The average wage moderation (difference between the nominal increase of wages and the increases in productivity and inflation) in this period was 0.8%.

On the other hand there is a wage gap (difference between the agreed and the actual pay increase) of +2.1% in recent years (in contrast to 0.1% in the EU25). This wage drift demonstrates that there is a considerable leeway in companies and certain sectors relative to the collectively agreed increases.

### Working time

Legal provisions (40 hours per week) were changed after 2003 when, following the recommendation of CMKOS, collective agreements at company level stipulated a reduction of weekly working time (in about 80% of new agreements) to 37.5 hours (Čornejova et. al. 2004).

After certain problems caused by a switch to 'net working time' were overcome – working time has been defined since 2001 as excluding breaks for food and relaxation, in application of EU legislation – a commitment to cut working hours (to 37.5 or possibly 38 hours a week) has in recent years featured in more than 50% of multi-company agreements and in almost 95% of company-level agreements (EIROne 2005/01cz).

The collectively agreed working time in 2004 was 38 hours per week (Carley 2005) [Years: 2000-04; Source: EIRO annual review on working time].

The average weekly working time of full-time employees in 2003 was 41.4 hours (men: 42.2; women: 40.5, according to Eurostat LFS). This is 3.4 hours more than the collectively agreed 38-hour week, whereas the average time gap in the EU25 in 2000–2004 (2.5 hours) was one hour less.

An extra week of holidays was agreed in more than three-quarters of multi-company and company-level contracts. The statutory minimum annual paid leave is four weeks.

### **Other issues**

Trade unions want to enlarge the scope of items for collective bargaining beyond pay questions. This refers mainly to working times, training, retraining, pre-retirement, and the inclusion of 'social plans' in the agreements which envisage for the employees various types of support such as contributions towards skill development, rehabilitation, leisure activities and cultural events, and company health care. Most workplace agreements were able to extend annual leave by a week.

About 7% of employees took part in training in 2002, partly as result of special company agreements (ETUI 2004a). Most collective agreements lay down employer obligations to provide for training, retraining, and education, particularly when workers' current skills are no longer required.

According to the Labour Code workplace representation has special participation rights concerning health and safety at work.

*Gender issues including pay gap [Year: 2002; Source: Eurostat Structure of Earnings Survey, Statistics in focus 2005/12]*

Women's average annual gross earnings were 76% of men's in 2002, close to the EU average. Collective agreements have provisions relating to gender equality but they are held to be relatively ineffective (EIRO 2005a). CMKOS runs training programmes and launched a study to assess their impact, which led to an action plan in 2004.

### *Employment rights*

There are deficiencies in the collective bargaining system, especially at levels higher than the company, as well as a lack of workplace representation, and of effective controlling instances – by workplace representation, labour inspectorate and, not least, by special labour courts, which so far the Czech constitution does not allow.

In 2005 a new system of labour inspection started, but the activity of new labour inspectorates is developing slowly and staff levels are inadequate.

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