

INDUSTRIAL RELATIONS IN THE CZECH REPUBLIC: RECENT DEVELOPMENTS AND FUTURE CHALLENGES

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This study was developed under the project Improving expertise in the field of Industrial Relations, funded by the European Commission through DG Employment, Social Affairs and Inclusion. The project contributes to a better understanding, by comparison, of the stage of development and forms of manifestation of industrial

relations in an important number of EU Member States by the participating countries – Bulgaria, Poland, Romania, Czech Republic, Macedonia, Croatia and Estonia. The study on Czech Republic will be part of the benchmarking report drafted by the Centre for Economic Development (CED) from Bulgaria, the project co-ordinator.

Abstract

The study describes social dialogue and relations between social partners in the Czech Republic since 2012. Economic growth in the Czech Republic resumed in 2014 following the economic crisis; nevertheless, the recovery exerted no major impact on relations between the various social partners. That said, one important change that influenced relations between social partners and the government as well as between social partners themselves consisted of the election of a new centre-left government following pre-term elections in October 2013. Relations between social partners and the previous centre-right government had gradually deteriorated especially since, according to the social partners, the government ignored their comments on the government's economic policy. Conversely, the new government in its policy statement pledged to involve social partners in active dialogue. This com-

mitment to social partners has been fulfilled and is seen in a positive light by both employee and employer representative bodies. Relations between social partners at the tripartite level positively influence bipartite social dialogue, which was maintained at a good level even during the economic crisis – both employers and the trade unions were primarily interested in preserving job positions and, therefore, the wage demands of the unions were moderate. In 2015, however, the largest trade union organisation in the Czech Republic – in connection with the economic recovery – focused on their End of Cheap Labour campaign aimed at securing wage increases which would gradually result in the attainment of wider EU wage levels. It is feared however that this campaign, which continued into 2016, may result in conflict between social partners in the future.

Keywords:

industrial relations; social dialogue; collective bargaining; social partners; trade unions; employers; collective agreement; digitalisation; labour; atypical forms of employment; new forms of employment

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1. Methodology in Brief

This report describes the development of social dialogue in the Czech Republic since 2012. The first chapter introduces the reader to the basic data on industrial relations in the Czech Republic – the institutional and political framework of industrial relations, the collective bargaining system and the main players involved (trade unions and employers' associations).

The second chapter outlines economic development in the Czech Republic since 2012. The analysis covers basic macroeconomic data published by the Czech Statistical Office (Český statistický úřad, ČSÚ) and the Czech National Bank (Česká národní banka, ČNB) and the changes revealed by the data over recent years. This part is followed by an analysis of social dialogue and collective bargaining in the Czech Republic in the context of the economic recovery at the tripartite and bipartite levels. This section employs primarily survey called Information on working conditions (Informační systém o pracovních podmínkách, IPP) which monitors, on an annual basis, working and wage conditions at companies in the Czech Republic based on the analysis of collective agreements. Surveys on this theme have been conducted on a regular basis by the Ministry of Labour and Social Affairs of the Czech Republic (Ministerstvo práce a sociálních věcí České republiky, MPSV) since 1993, the purpose of which is to map and analyse the content of collective agreements concluded in the Czech Republic. The aim of the survey is to provide the State and other institutions with an overview of trends in collective bargaining and the contractual partners with the appropriate information for further bargaining at the company level or for the negotiation of higher-level collective agreements. The IPP survey monitors company collective agreements and higher-level collective agreements, but it is not exhaustive. The 2015 survey analysed selected data on the wage and working conditions set out in 1,627 company collective agreements involving 26 different trade unions and covering 817,000 employees. The 2015 survey also analysed and evaluated 19 higher-level collective agreements.

The Czech Republic, unfortunately, does not have an information system for the monitoring of the number of concluded company collective agreements and the numbers of employer and employee organisations involved. Therefore, it is necessary to rely on data compiled by the various social partners, predominantly the largest trade union confederation, the Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů, ČMKOS) and the largest employers' association, the Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy České republiky, SP ČR). This data, however, is provided directly from members of these organisations and its explanatory potential is limited; in some cases, the data may be deliberately under- or over-estimated. In the absence of other sources, therefore, the author has no choice but to work with this data. The second chapter employs information collected by means of three case studies and two focus groups involving employee and employer representatives. The focus group with employee representatives was attended by 10 participants (mostly trade union representatives) while the focus group with employer representatives was attended by eight participants.

The third chapter addresses challenges in terms of industrial relations in the future, with respect to two areas in particular – the digitalisation of the economy and new forms of employment. Particular emphasis is placed on these areas since they may in the near future significantly affect relations between social partners. The preparedness of social partners to face the digitalisation of the economy and new forms of employment was investigated by means of two foresight workshops – one attended by employee representatives (10 participants) and the other by employer representatives (8 participants).

The conclusion of the study provides a summary of the main findings and provides recommendations for the future.

2. Framework of industrial relations in the Czech Republic after 2012

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Framework of industrial relations
in the Czech Republic after 2012

2.1 Institutional and political framework of industrial relations in the Czech Republic

Social dialogue and the various institutions involved in social dialogue in the Czech Republic experienced major transformation in the 1990s as a result of the wide-ranging social and economic changes which occurred following the end of the communist era. Although in subsequent years relations between the government and social partners, as well as between social partners themselves, developed in various ways, the basic settings of social dialogue, the institutions involved and the topics covered essentially did not change during the period under study. Czech social dialogue tends to be conservative in nature as long as the social dialogue and collective bargaining topics remain stable – involving principally wages, working hours and social benefits.

Trade unions, employers' organisations and public institutions play a key role in the determination of the structures governing employment relationships, working conditions and industrial relations, all of which make up inter-dependent elements of a multi-level system that includes the European, national, sectoral, regional (local) and company levels.

2.1.1 Main legislation

The Czech Republic has no specific comprehensive legislation covering trade unions, employers' organisations and collective bargaining, rather the legal relationship between these parties is provided for in a number of separate pieces of legislation. The basic legal provisions concerning industrial relations with respect to both trade unions and employers are contained in *Act No. 23/1991 Coll., the Charter of Fundamental Rights and Freedoms*, which makes up a basic pillar of the Czech Republic's constitution, and which in Article 27 provides for freedom of coalition and the right to associate and form unions. From 1990 to 2013, the establishment and existence of trade union organisations and associations was provided for in Act No. 83/1990 Coll., on the association of citizens. Since 1 January 2014, this subject area has been covered by the new civil code (*Act No. 89/2012 Coll., the Civil Code*).

Other important legislation with respect to industrial relations includes *Act No. 262/2006 Coll., the Labour Code*, which provides the legal basis for negotiating collective agreements at the company and higher levels, and Act No. 2/1991 Coll., on collective bargaining, which regulates the collective bargaining process at the company and higher levels, as well as the settlement of collective disputes and the extension of higher-level collective agreements.

2.1.2 Collective bargaining system

Collective bargaining in the Czech Republic occurs at both the company and the sectoral (or cross-sectoral) levels. The most common level of collective bargaining in the Czech Republic consists of that held at the company level. Collective bargaining at the national level does not exist.

It is possible to conclude both higher-level collective agreements (HLCAs) and company-level collective agreements (CLCAs) in the Czech Republic. Both higher-level collective agreements and company-level collective agreements are legally binding. Higher-level collective agreements serve as a framework or guide for the determination of company-level collective agreements, i. e. HLCAs set out minimum standards with respect to wages and working time which are subsequently adhered to in company-level collective agreements; CLCAs can set out higher standards, but not lower.

No register is maintained of company-level collective agreements concluded in the Czech Republic; however, higher-level collective agreements are monitored by the *Ministry of Labour and Social Affairs of the Czech Republic* (Ministerstvo práce a sociálních věcí České republiky, *MPSV*).

Table I shows the number of HLCAs and CLCAs concluded in the period 2011 to 2015. It is clear from the table that the number of HLCAs concluded during this period remained largely unchanged. However, it is also clear that the number

of CLCAs concluded declined in the same period; the data is, however, only illustrative and in the long-term perspective it is not possible to draw conclusions regarding trends – the data includes only those CLCAs concluded by member unions of the Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů, ČMKOS) and, moreover, only those who participated in the survey conducted by ČMKOS (20 member organisations of a total of 29 participated in the 2015 survey) which, in effect, precludes the drawing of year-on-year comparisons as well as the generalisation of trends.

The vast majority of negotiations on new collective agreements (or amendments to collective agreements) commence in the fourth quarter of the year. Contracts are signed mainly in the period between December and the following January. This applies to both bargaining at the company and sectoral levels. Higher-level agreements are usually concluded for a period of one year, although there is a growing tendency for the validity period to cover longer periods of time. Company-level collective agreements are usually concluded for a period of one year. The government influences the outcome of the wage bargaining process indirectly through minimum wage legislation, tax measures and increases in the salaries of civil servants.

Extension mechanisms

A legal provision concerning mandatory extension is available, but is rarely invoked. The extension of a binding higher-level collective agreement to another employer is possible under conditions set out in Act No. 2/1991 Coll., on collective bargaining. The MPSV ČR possesses the relevant powers to ensure that agreements are extended based on a proposal put forward by both parties to the agreement, provided that conditions set out in legislation are met. No voluntary extension mechanisms exist to date. From a total number of

21 higher-level collective agreements conducted in 2015, 4 were extended¹.

Industrial action and collective disputes

Czech legislation recognises two types of industrial action: strikes and lockouts. The right to strike, as a fundamental human right, is guaranteed by **Act No. 2/1993 Coll., the Charter of Fundamental Rights and Freedoms**, which forms part of the Czech constitution. Article 27 (Section IV) of the Charter states that the right to strike is guaranteed in accordance with conditions set out in legislation; this right does not apply to judges, members of the armed forces and members of the security forces. The legality or otherwise of a strike is limited by Act No. 2/1991 Coll., on collective bargaining which covers strikes directly related to collective bargaining; strikes can be divided into:

- a) Strikes covered by Act No. 2/1991 Coll., on collective bargaining – such strikes and the requirements and procedure thereof are strictly regulated by legislation. A strike, according to the Act, is a legal instrument employed to settle collective disputes concerning the negotiation and conclusion of a collective agreement. A dispute concerning a change to an agreement already in force is also considered a collective dispute if the possibility for and extent of changes have been agreed in a collective agreement. Collective disputes represent disputes which do not give rise to entitlements with respect to individual employees. The precondition for holding a strike is that all the regulations set out in the Act are observed
- b) Strikes outside the scope of Act No. 2/1991 Coll., on collective bargaining - no legislation is set out in the legal code with respect to the application of the above-mentioned Article 27 with concern to strikes other than those

Table 1: Number of higher-level collective agreements and company-level collective agreements concluded

Year	Number of HLCAs concluded*	Number of employees covered by HLCAs (%)*	Number of CLCAs concluded**	Number of employees covered by CLCAs (%)**
2011	22	14.0	4,904	34.0
2012	24	16.0	4,655	34.0
2013	24	15.0	4,739	33.0
2014	24	14.0	3,966	31.3
2015	21	14.0	3,910	31.6

Source: * Ministry of Labour and Social Affairs of the Czech Republic, ** Czech-Moravian Confederation of Trade Unions (ČMKOS) (data from its members only)

Table 2: Number of industrial actions (data from ČMKOS members only)

Year	Number of strikes		Number of strike alerts	
	In terms of concluding an HLCA	In terms of concluding a CLCA	In terms of concluding an HLCA	In terms of concluding a CLCA
2011	0	0	0	2
2012	0	0	0	0
2013	0	0	0	2
2014	0	0	0	8
2015	0	2	0	4

Source: ČMKOS (data from ČMKOS members only)

addressed in Act No. 2/1991 Coll., on collective bargaining. However, this does not mean that any strike other than those addressed by the afore-mentioned act are automatically prohibited - the courts decide if a strike is legal or not on a case-by-case basis.

c) The above-mentioned Act No. 2/1991 Coll., on collective bargaining also recognises so-called solidarity strikes called in order to support employees striking over the conclusion of a collective agreement.

Notwithstanding, strikes are extremely rare in the Czech Republic. Strike alerts tend to be called on a more regular basis; however, strike alerts are not defined in legislation. No register of strikes or strike alerts exists; however, ČMKOS does monitor the activities of its members in this respect.

Lockouts are covered by Act No. 2/1991 Coll., on collective bargaining. The definition of a lockout consists of a partial or complete stoppage of work initiated by the employer. The employer

may, as a final solution for resolving a dispute on the conclusion of a collective agreement, declare a lockout if agreement cannot be reached even following discussion in the presence of a mediator, and concerning which the contracting parties decide not to apply to an arbitrating authority to determine a resolution to the dispute. The initiation of a lockout, its extent, the reasons therefor and a list of names of those employees to whom the lockout applies must be communicated by the employer to the relevant trade union organisation at least three working days prior to the planned commencement of the lockout. The employer is also required to provide the employees concerned with the same period of notice. The Act specifies situations in which a lockout is unlawful, i.e. notably lockouts concerning medical facility employees, which might lead to the endangering of the health or lives of the general public, and lockouts involving judges or state representatives.

Collective dispute resolution mechanisms

The procedure for resolving collective labour disputes is governed by Act No. 2/1991 Coll., on

Table 3: Use of dispute resolution mechanisms (data from ČMKOS members only)

Year	Collective disputes settled through a mediator		Collective disputes settled through an arbitrating authority	
	In terms of concluding an HLCA	In terms of concluding a CLCA	In terms of concluding an HLCA	In terms of concluding a CLCA
2011	1	4	0	0
2012	2	11	0	0
2013	1	8	0	1
2014	0	15	0	0
2015	0	6	0	0

Source: ČMKOS (data from ČMKOS members only)

collective bargaining. The Act states that collective disputes are disputes concerning the conclusion of a collective agreement or the fulfilment of commitments set out in a collective agreement (company-level or higher-level) that do not establish claims for individual employees. The parties to a collective dispute consist of parties to the collective agreement. Collective disputes, whether they concern the conclusion of a collective agree-

ment or the fulfilment of commitments set out in a collective agreement which do not establish claims for individual employees, are resolved via negotiations involving a mediator or an arbitrating authority. This means, inter alia, that the Czech Republic only has a two-tier concept with respect to the resolution of collective labour disputes (in which conciliation and mediation are merged).

2.2 Main actors in industrial relations

2.2.1 Trade unions and workers' representatives

As already mentioned, no specific comprehensive legal regulation concerning trade unions exists in the Czech Republic, rather the relevant legal relations are set out in a number of separate pieces of legislation. Employees are free to join a trade union or not to join as they see fit. Consequently, it is considered unfair to dismiss an employee either because he/she is or is not a member of a trade union. Trade union membership is voluntary and membership may be terminated at any time. Trade union bodies are entitled to take part in labour legislation proceedings, including collective bargaining under the relevant conditions stipulated in legislation.

Trade unions play by far the most significant role in terms of employee representation not only in terms of competency, but also due to their existence in the workplace and function with respect to social dialogue, particularly collective bargaining. Trade unions only are entitled to represent employees with concern to general labour relations, collective bargaining aimed at concluding collective agreements, and tripartite negotiations conducted in the context of a tripartite body (see below).

Employees may also be represented by works councils, however, such bodies do not enjoy legal recognition and are entitled to act merely as mediators between employers and employees through enhancing consultation and the flow of information within a company. No national register of works councils exists; however, they would appear to be extremely rare.

There is no legal requirement concerning the extent of representativeness of trade unions; the only exceptions concern the tripartite body (see below) and members of the armed forces who are excluded from this legislation. Moreover, legislation states that a minimum level of representativeness of 40% is required for trade unions to operate within the police, firefighting and customs services.

Main trade union confederations and federations

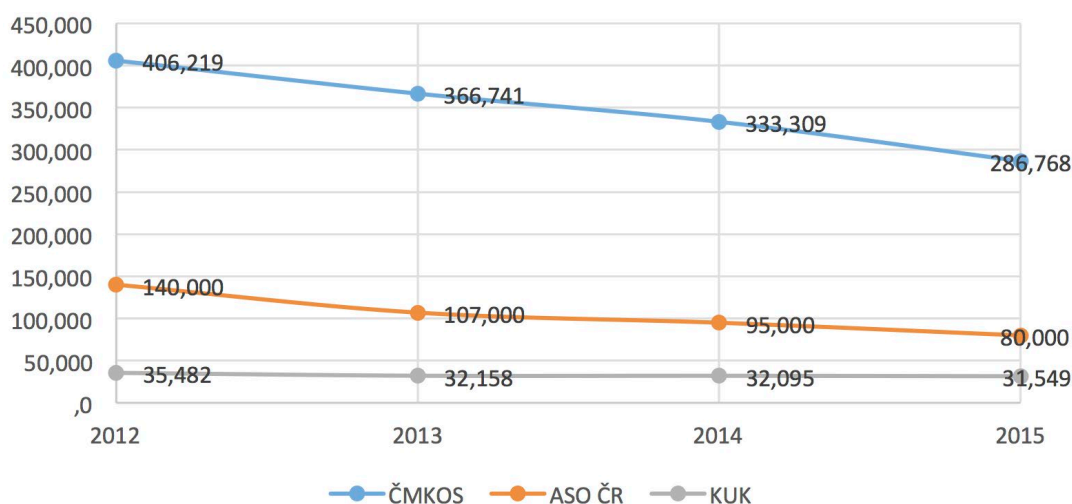
There are three main trade union confederations in the Czech Republic – the **Czech-Moravian Confederation of Trade Unions** (Českomoravská konfederace odborových svazů, **ČMKOS**), the Association of Independent Trade Unions of the Czech Republic (**Asociace samostatných odborů České republiky, ASO ČR**) and the Confederation of Arts and Culture (**Konfederace umění a kultury, KUK**).

Table 4: Main trade unions confederations in the Czech Republic

Name of organisation	Number of member unions	Number of members
Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů, ČMKOS)	29	286,768*
Association of Independent Trade Unions of the Czech Republic (Asociace samostatných odborů České republiky, ASO ČR)	14	80,000
Confederation of Arts and Culture (Konfederace umění a kultury, KUK)	14	31,549

Source: trade unions (2015), Note: According to the President of ČMKOS, Josef Středula, the number of members of ČMKOS was 330,000 in 2015 (see Švihel, 2015). However, this number cannot be verified.

Graph 1: Development of the number of members of trade union confederations since 2012



Source: trade unions.

As in other European countries, the trend of a continuous decrease in trade union membership continues in the Czech Republic. Over the last 10 years, overall trade union membership has decreased from 20.6% to 12.9% (in 2014) of the working population and the trend is expected to continue. The main reason for the decline in membership consists of the retirement of older members and a lack of interest in union membership on the part of younger employees.

2.2.2 Employers' associations

Social dialogue is addressed on the part of employers by the *Confederation of Industry of the Czech Republic* (Svaz průmyslu a dopravy České republiky, *SP ČR*) and the Confederation of Employer and Entrepreneur Associations of the Czech Republic (*Konfederace zaměstnavatelských a podnikatelských svazů České republiky, KZPS ČR*).

The membership of these two largest employers' organisations is made up of both individual members (companies) and other employers' and business associations. Both of these organisations are involved in social dialogue. In addition to these two organisations, several other smaller independent employers' and business associations are active in the Czech Republic.

Although the *Czech Chamber of Commerce* (Hospodářská komora České republiky, *HK ČR*) plays a similar role to the organisations mentioned above, i.e. in many respects it speaks for the protection of the interests of employers and the business sector in general, it is not *senso stricto* an employers' association and therefore is not a party to national social dialogue.

Table 5: Employers' associations and their membership

Name of organisation	Number of members	Number of employees working in member companies
Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy České republiky, <i>SP ČR</i>)	11,000	1,300,000
Confederation of Employer and Entrepreneur Associations of the Czech Republic (Konfederace zaměstnavatelských a podnikatelských svazů České republiky, <i>KZPS ČR</i>)	22,000	1,300,000

Source: Employers' associations

2.2.3 Central and local government

The tripartite forum at the national level, the Council of Economic and Social Agreement (*Rada hospodářské a sociální dohody, RHSD*) makes up the country's principal social dialogue institution; the work of the RHSD is strictly consultative. The aim of the tripartite organisation is to reach agreement via mutually respected forms of dialogue in fundamental areas of economic and social development. Above all, it aims to maintain social consensus as a prerequisite for the positive development of both the national economy and the standard of living of the country's citizens.

The top negotiating body of the tripartite organisation consists of the Plenary Meeting at which the government is represented by a delegation of 8 members, employers' organisations by 7 representatives – from both the Confederation of Industry of the Czech Republic (*Svaz průmyslu a dopravy ČR, SP ČR*) and the Confederation of Employer and Entrepreneur Associations of the Czech Republic (*Konfederace zaměstnavatelských a podnikatelských svazů ČR, KZPS ČR*) – and the trade union confederations by 7 representatives - from both *ČMKOS* and the Association of Independent Trade Unions (*Asociace samostatných odborů ČR, ASO ČR*).

The criteria governing participation are set out in the RHSD Statute. Attendance at RHSD meetings

is the only area of social dialogue which requires social partner representativeness.

The conclusions reached at tripartite meetings must be approved by all the participants of the negotiations. If consensus is not reached and joint conclusions are not accepted, the differing opinions of the delegations on the issues under discussion must be published.

The various areas in which the RHSD is involved are defined by the RHSD Statute and consist of: economic policy, labour relations, collective bargaining and employment, social issues, public service wages and salaries, public administration, health and safety at work, the development of human resources and education, and the Czech Republic's position within the EU. The first and last areas are very broad and may encompass a range of policies. From the European perspective, the Czech Republic belongs to that group of countries in which the tripartite body covers a particularly wide range of activities.

Regional tripartite bodies also exist which address similar areas to those dealt with by the national body; the specific issues in which they are involved are defined in their respective statutes.

No bipartite body exists in the Czech Republic.

3. Economic recovery and current trends in social dialogue in the Czech Republic

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Economic recovery and current trends in social dialogue in the Czech Republic

3.1 Economic and social situation in the Czech Republic since 2012 and onwards

According to a study by Tožička, 2013, year 2012 was not a favourable year for the majority of the Czech population. The country failed to achieve the basic macroeconomic indicators of the level of 2008 and neighbouring countries found this task even more elusive than did the Czech Republic. The authors criticised the then government of Prime Minister Petr Nečas² as lacking vision and a positive national economic programme. The sole policy aim appeared to be fiscal consolidation and, therefore, budget cuts contributed to the stagnation of the economy. The austerity measures also restricted consumption, which fell by 3.5%; conversely, inflation increased by 3.3%.

The economic recovery after the downturn in the years following the global economic crisis in 2008 continued in 2014 and 2015. The export-oriented economy had been heavily affected by dampened foreign demand and the economy only started to gradually improve in 2013 and the economy only started to gradually improve in 2013.

In 2014, the Czech economy moved out of the two years' recession and was expanding faster than EU and Eurozone countries. The renewed growth in gross fixed capital formation, that is investment, contributed the most to GDP growth in 2014. The income situation of Czech households improved in 2014, after three hard years. Changes in the labour market, such as continuing growth in the number of employees, lengthening of the real hours worked, growth in real wages in both the business and non-business sphere but also, for instance, the increase in the number of self-employed (especially entrepreneurs) had a positive effect on household income in 2014 and were consequently also transferred into higher consumption expenditure. Economic growth in the euro area together with a weaker Czech currency (CZK) had a very favourable impact on the export volume of goods and services.

In 2015 economic growth further accelerated and the Czech economy fared better than it had in the previous eight years. Gross domestic

product rose by 4.5% and the growth rate of the Czech economy was more than double that of the wider European Union. The employment rate reached the very high level of 70.2% and the unemployment rate was among the lowest in the EU. There was an increase in both the number of employees and average wages.

It is apparent, that despite of the subsiding of the exceptional factors supporting the economic growth in 2015 (finalisation of drawing of resources from the European funds or the marked drop of the prices of oil), the economic situation remains favourable and above-average in the context of the latest years.

In 2016 the economy of the CR keeps expanding faster than the European Union in the year-on-year comparison (+2.4%) and the unemployment rate continued to decline.

GDP development in the period 2012–2013 was negative; a return to positive year-on-year growth in GDP occurred in 2014 and 2015 and the increasing trend has continued in 2016. The real gross value added indicator³ reflects the aggregate performance of the sector and is therefore a "pure" indicator of economic performance. As with GDP, the year-on-year change in GVA in the period 2012–2013 was negative; however, GVA has grown rapidly over the past two years in line with the growth in GDP since the two are closely related.

Monthly labour costs per employee in 2012 rose by 2.2% year-on-year; the indicator stagnated in 2013, and in 2014 increased by 2.7% as the result of the economic recovery and an increase in the demand for labour; this trend continued in 2015.

The average annual inflation rate declined gradually from 3.3% in 2012 to the very low level of 0.4% in 2014 and 0.3% in 2015 respectively. In 2016 reached the inflation rate 0.7%. The **Czech National Bank** (Česká národní banka, **ČNB**) has pursued an inflation rate target of 2% since Janu-

2) See more in chapter 2.2.1.

3) Unfortunately, Czech statistics do not monitor the development of the related two sub-components "business profit" and "depreciation" under this indicator and, further, that this indicator is not monitored at basic prices but only at real prices.

Table 6 Main economic indicators in 2012–2015 (2016)

Indicator	2012	2013	2014	2015	2016
GDP growth rate (% , y/y, real terms) Source: ČSÚ	-0.8	-0.5	2.7	4.5	2.4
Gross value added at real prices (%) Source: ČSÚ	-0.5	-0.5	3.4	4.0	n. a.
Labour cost in CZK (EUR) - monthly Source: ČSÚ	34,786 (1,377)	34,812 (1,271)	35,759 (1,293)	n. a.	n. a.
Labour cost (% , y/y) Source: ČSÚ, own calculation	2.2	0.1	2.7	n. a.	n. a.
Gross fixed capital formation (% , y/y, real terms) Source: ČSÚ	-3.1	-2.5	3.9	9.0	n. a.
Inflation rate (annual average, %) Source: ČSÚ	3.3	1.4	0.4	0.3	0.7
Foreign direct investment volume (summary state - in CZK milliard) Source: ČNB	2,600.9 (0.1)	2,668.7 (0.1)	2,774.6 (0.1)	2,804.7 (0.1)	2,816.14
Export of goods and services (% , y/y, real terms) Source: ČNB	4.2	0.3	8.6	7.8	n. a.
Import of goods and services (% , y/y, real terms) Source: ČNB	2.6	0.2	10.0	8.3	n. a.
Foreign trade balance in millions CZK (EUR) Source: ČNB	310,760 (12.3)	350,803 (12.8)	154,087 (5.6)	149,100 (6.0)	166,410 (6.16)
State budget balance as % of GDP Source: ČSÚ	-3.95	-1.25	-1.95	-0.42	n. a.
General government debt in % of GDP Source: ČSÚ	44.67	45.14	42.69	41.06	36.7
Employed persons in the national economy (in thousands). Source: ČSÚ	4,890.1	4,937.1	4,974.3	5,041.9	5,128.51 ¹
Total employment growth (annual change, %) Source: ČSÚ	0.4	1.0	0.7	1.4	1.7 ¹
Unemployment rate according to ILO methodology (% , average of year) Source: ČSÚ	7.0	7.0	6.1	5.0	4.0
Unit labour costs (% , y/y) by persons employed. Source: ČSÚ	2.9	0.5	0.4	-0.5	n. a.
Average gross monthly wages in CZK (EUR) Source: ČSÚ	25,067 (992)	25,035 (914)	25,768 (932)	26,467 (979)	27,589 (1,020)
Average gross monthly wages (y/y change in %) Source: ČSÚ	2.5	-0.1	2.9	2.7	4.2
Minimum wage in CZK (EUR) - monthly Source: MPSV	8,000 (317)	8,500 ² (310)	8,500 (307)	9,200 (340)	9,900 (366)
Ratio average wage/minimum wage in % Source: own calculation	31.9	33.8	33.0	34.8	35.9
At-risk-of-poverty rate (share of persons under poverty threshold in total population - %) Source: ČSÚ	15.4	14.6	14.8	14.0	n. a.
Gini coefficient of equivalised disposable income (%) Source: ČSÚ	24.9	24.6	25.1	25.0	n. a.

ary 2010 and, over the long term, the ČNB aims to ensure that the actual inflation rate does not differ from this target by more than one percentage point in either direction⁴.

The (cumulative) volume of foreign direct investment in the Czech Republic at the end of 2011 stood at CZK 2.4 billion (alias thousand million), which corresponds approximately to the same volume as at the end of 2010. In 2015, the volume of direct foreign investment stood at CZK 2.8 billion. The volume of foreign investment in the Czech economy in the period 2012 to 2015 grew steadily to reach the record value of CZK 2.8 billion in 2015. The share of foreign investment from EU countries is 87% and from Europe generally around 92%. According to ČSÚ analysis, the Czech Republic is in the third phase of foreign direct investment, according to which the outflow of revenues exceeds the profits intended for domestic reinvestment purposes.

Czech Republic foreign trade has been relatively successful over the last four years as evidenced by the annual growth rate of this indicator: In 2012 the increase was 4.2% and, following stagnation in 2013, the rate continued to increase reaching 8.6% and 7.8% in 2014 and 2015 respectively. In the period 2012–2013 the year-on-year change in the rate of imports was relatively low; however, in 2014–2015 the rate increased significantly and is currently higher than the dynamics of the growth in exports from the Czech Republic, resulting in a reduction in the foreign trade deficit. The Czech foreign trade balance is consistently positive during last 4–5 years, as evidenced by the higher values of surplus recorded in the years 2012 and 2013 (CZK +310 and +350 million respectively) than those recorded in 2014–2016 when the surplus stood at less than half (CZK 150 million); the trend is due to the significant growth in imports for production and personal consumption purposes.

The Czech Republic has been successful in the last four years in terms of reducing the ratio of government debt from 44.7% in 2012 to a solid 41% in 2015 and under 37% in 2016, making it one of the most successful countries in Europe in this respect. This value is around 23 percentage points lower than that set out in the Maastricht criterion.

In the post-crisis period 2012–2016, total employment in the Czech national economy increased steadily, with the largest increases in 2013 and 2015 (+1.4% year-on-year). Due to the turnaround in economic growth, the total number of employed stood at 5,041 thousand in 2015, increasing to 5,128 thousand at the end of Q2 of 2016. In terms of the development of average annual registered rate of unemployment (according to ILO methodology), the highest unemployment rates occurred in 2013 and 2014 – higher than in previous years. From January 2015, the value of this indicator decreased continuously up to October 2016 thanks to the noticeable recovery of the economy and the demand for labour. The unemployment rate in the Czech Republic is currently one of the lowest in the EU28 (4.0% according ILO in 2016).

The dynamics of the development of unit labour costs in the Czech Republic in 2012–2015 (latest available data) decreased gradually from +1.9% in 2012 to zero in 2015. After a period of stagnation in wage development in the period 2010–2011, the year-on-year index of real wage development and especially the development of nominal wages improved. This was particularly true of the last two complete years 2014 and 2015. In the case of real wage development, the situation was less positive declining in 2012 and 2013 by 0.8% and 1.5% respectively. However, over the last two years 2014 and 2015 real wages in the Czech Republic grew by 2.5% and 2.4% respectively. This positive trend as far as employees are concerned is set to continue in 2016.

4) For more info see *Czech National Bank Inflation targeting in the Czech Republic*. Available at: http://www.cnb.cz/en/monetary_policy/inflation_targeting.html

3.2 Social dialogue and collective bargaining in the Czech Republic in the context of economic recovery

3.2.1 National level and intersectoral level

Social dialogue in the Czech Republic is significantly affected by the level of communication between the government and social partners. The first signs of an economic crisis appeared in the Czech Republic in 2008 during the term of office of Prime Minister Miroslav Topolánek's right-wing

government which, however, was replaced prematurely in April 2009 by the caretaker government of Prime Minister Jan Fischer who pledged to communicate with social partners and to fully respect their views. Thus, relations between the government and social partners were consolidated in the period April 2009 to July 2010. Subsequently, however, the right-wing government of Petr Nečas (Civic Democratic Party, *Občanská*

demokratická strana, ODS) elected in May 2010 refused to respect the results of previous social dialogue. Consequently, relations between the government and social partners, particularly with the trade unions deteriorated. Most of the anti-crisis measures proposed by the government did not consider the opinions and views of the trade unions, which was reflected in an increase in the level of industrial unrest (protests, demonstrations, appeals, etc.). The government indicated on several occasions that it would not give in to the views of the social partners, thus further worsening the already poor mutual relationship. This culminated in the trade unions leaving the tripartite meeting of 23 March 2012 due to the government apparently refusing to respect their conditions.

Thus, both trade unions and employers welcomed the new caretaker government of Jiří Rusnok, who was appointed by President Miloš Zeman following the resignation of the government of Petr Nečas in June 2013. In early elections held in October 2013, seven months before the constitutional expiry of the four-year legislative term of the previously elected parliament, the two parties which won the most seats consisted of the left-wing Czech Social Democratic Party (*Česká strana sociálně demokratická, ČSSD*) (50 seats out of a total of 200) and the new party *ANO 2011* party (47 seats of 200). A new centre-left government was formed in January 2014 headed by Prime Minister Bohuslav Sobotka (*ČSSD*). The government declared that it would engage in active social dialogue with the various social partners as a means of maintaining social peace, and that it would establish an effective system for the exchange of experience between the government and social partners. According to the President of ČMKOS, Josef Středula, the relationship between the trade unions and the government was the best it had been in 20 years.⁵ Improved relations between the government and the trade unions was also confirmed by several individual trade unions⁶ – the positive approach of the government towards social dialogue had a positive impact both on collective bargaining and, generally, the relationship between employees and employers, which was reflected in the overall atmosphere of relations between employers and the trade unions (ČMKOS, 2015). Employers were also appreciative of having good relations with the government and although the government has not always accepted the comments of

the two sides (employers and employees), it has always complied with what has been agreed with social partners.⁷

In connection with the economic recovery that commenced in the Czech Republic in 2014, the unions were fully focused on supporting wage growth. During the economic crisis (2009–2013), ČMKOS recommended its member trade unions to conduct collective bargaining on wages according to the specific economic situation of companies or industries and, in certain particularly serious cases, accepted reductions in nominal wages, even if only for the period of time necessary (see ČMKOS 2009, 2010, 2011, 2012, 2013, 2014). In 2015,⁸ however, ČMKOS recommended “approaching collective bargaining in such a way that, subject to the overall national economic situation and economic conditions prevailing in the relevant business sector (individual companies), average nominal wages be increased in 2015 within the private sector by 5% compared to 2014”.⁹ The same increase in nominal wages was suggested by ČMKOS for 2016.¹⁰ This was the first time since 2008 (with respect to 2009¹¹) that ČMKOS had quantified its wage growth demands.

On 15 June 2015, the ČMKOS Council concluded that low wages were becoming a serious problem in the Czech Republic and, consequently, ČMKOS arranged a trade union demonstration in Prague on 16 September 2015 under the banner “End of Cheap Labour in the Czech Republic”; the campaign of the same name was extended by ČMKOS into 2016 and into the year 2017, too. The aim is to break the Czech economy away from the persisting economic concept of low wages. According to ČMKOS, the Czech government is now faced by a choice of whether to further pursue the cheap labour policy (the weak CZK, the low wages policy, low social standards and low tax rates), or to embark on a path involving increasing efficiency, rapid growth and competitiveness (Fassmann, Ungerman, 2015). The long-term policy of low wages (low labour costs) and a weak currency exchange rate¹² will, according to ČMKOS, lead to the downward restructuring of the economy towards lower levels of processing as a consequence of which the Czech economy will become seen as a dependent economic area with lower value products, lower labour productivity levels and hence lower wages. In order to address this situation, ČMKOS in its analysis (Fassmann, Ungerman, 2015) proposed a set of policy

5) See Vančová, 2015

6) Some trade unions, however, were not so content with the approach of the government – in particular those trade unions active in sectors that fall within the competence of the Ministry of Transport of the Czech Republic (Ministerstvo dopravy České republiky, MD ČR) and the Ministry of Finance of the Czech

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Republic (Ministerstvo financí České republiky, MF ČR). Source: Focus group, 22. 11. 2016

7) Source: Focus group, 22. 11. 2016..

8) See ČMKOS (2014): Progress report on higher-level and company-level collective bargaining in 2014 (Zpráva o průběhu kolektivního vyjednávání na vyšším stupni a na podnikové úrovni v roce 2014). Document discussed at the ČMKOS Assembly, Prague, 31. 10. 2014.

9) ČMKOS, 2014, p. 99.

10) ČMKOS, 2015, p. 101

11) ČMKOS (2008), p. 67. At that time, ČMKOS called for nominal wage growth that would result in, subject to the overall national economic situation and economic conditions prevailing in the relevant business sector (individual companies), the average nominal wage being increased by 7.5% in the Czech Republic in 2009 compared to 2008

12) The Board of the Czech National Bank (*Česká národní banka, ČNB*) decided to introduce foreign exchange intervention on 7 November 2013. The ČNB's main aim was to keep to its inflation target of 2% and to prevent deflation; a secondary aim was to support the economic policies of the government targeted at sustainable economic growth (according to the ČNB, this measure helped to overcome the economic recession). Foreign exchange intervention aimed to maintain the CZK/EUR exchange rate at a minimum of CZK 27 to the EUR; by strengthening the CZK, the ČNB began to intervene to the detriment of the CZK/EUR rate. The ČNB Board announced that it would not terminate the use of the exchange rate as an instrument of monetary policy before 2017. See: https://www.cnb.cz/en/faq/the_exchange_rate_as_monetary_policy_instrument.html (in English)

measures, the most important of which consisted of more rapid nominal wage growth (in comparison with other EU countries) and a significant strengthening of the CZK/EUR exchange rate (by up to 20%¹³).

A further ČMKOS demonstration was held on 7 September 2016, at which ČMKOS assessed the End of Cheap Labour campaign as having inspired the trade unions in terms of collective bargaining and as having had a favourable impact on company collective bargaining for 2016 – an increase in median wages in 2016 approaching 6.5% which, according to the trade unions, is the highest increase in eight years.¹⁴ With respect to the next round of collective bargaining for 2017, ČMKOS again recommended that, with concern to those companies with suitable economic conditions, trade unions should demand wage increases of 5–5.5%.¹⁵

Employers do not agree with a five percent increase in wages. According to Čížek, 2015, a survey conducted by the Confederation of Industry revealed an average wage increase of around 1.7% in 2015, based, of course, on the financial results of individual companies. Employers have also criticised¹⁶ the increase in expenditure on the salaries of state employees. The draft budget for 2017 envisages an increase in the public salaries bill of around 8% as the result of an increase in the salaries of civil servants and the recruitment of new staff (particularly on the part of the Ministry of Finance, Ministry of Interior, etc.). The growth in the wages of state employees will naturally create pressure for further wage increases in the private sector: According to employers, therefore, an overall five per cent increase in wages, as demanded by the trade unions is not realistic – wage growth must respect the long-term development of individual sectors and companies, and must be matched by increases in labour productivity (Čížek, 2015). Employers consider trade union demands for wage growth to be legitimate, however, not to the extent recommended by ČMKOS. Although, otherwise, employers consider relations with employee representatives as solid, and with respect to most issues they are able to find consensus with the trade unions, the topic of wage increases may become a potential source of conflict in the future.¹⁷

20) Each year in the period 1991–1994 the tripartite, following long discussions, included the conclusion of a so-called general agreement defining the relevant economic and social objectives as well as a general framework agreement document and the conceptual basis for collective bargaining at the sectoral and company levels. These were not legally binding documents and the obligations therein were merely political. No such general agreements were signed for 1995 or 1996. No attempts to prepare this document were made in 1997 and 1998 (see Hála, Kroupa et al., 2002)

The National Agreement (Národní dohoda) in the field of human resources development, a social partner and government joint project, was signed on 10 August 2015 by the presidents of the SP ČR, KZPS ČR, the Czech Chamber of Commerce and the **Czech Agrarian Chamber** (Agrární komora České republiky, **AK ČR**).¹⁸ Employees were represented by the chairmen of ČMKOS and ASO ČR, and regional and local government authorities by the chairmen of the **Union of Towns and Municipalities of the Czech Republic** (Svaz měst a obcí České republiky, **SMO ČR**) and the **Association of Regions of the Czech Republic** (Asociace krajů České republiky, **AKČR**). The National agreement was also signed by the Minister of Industry and Trade, the Minister of Labour and Social Affairs, the Minister of Agriculture and the Minister of Education, Youth and Sports. The Agreement aims to determine effective solutions to long-term problems affecting the development of both human resources and the labour market – further education/training, support for technical education, improving the quality and scope of in-house training, requalification and so on. The Agreement is in line with other government strategic documents¹⁹ and is not legally binding; however, its significance lies in the fact that it represents the first written agreement between the government and social partners since the early 1990s.²⁰

3.2.2 Sectoral level

The various sectors of the national economy were affected by the economic crisis in different ways and over different periods of time and this also applied to the economic recovery. While some sectors (postal services, telecommunications) were affected by the crisis to a relatively small extent, other sectors were faced with the consequences of the crisis until 2015 (construction).²¹ Moreover, there are substantial differences between sectors with respect to the functioning of bipartite social dialogue.

In 2015, eight sectors of the national economy succeeded in concluding the equivalent of national agreements (see above), i. e. so-called sectoral agreements;²² they were concluded in the following sectors:

22) For a summary of these agreements, including amendments, see <http://www.socialnidialog.cz/sektorove-dohody> – in Czech only. A further 13 so-called regional sectoral agreements were concluded in all 13 regions of the Czech Republic (except Prague). These agreements have similar aims but focus on specific regions and sectors. Such agreements are, again, signed by the relevant social partners, representatives of local government authorities and the business community (Chamber of Commerce) and specific employers.

13) This is, however, in stark contrast to ČNB monetary policy; see the previous footnote.

14) See the *Statement of the KonecLevnePrace demonstration, 7. 9. 2016*. Available at: <https://www.cmkos.cz/obsah/219/prezentace-prohlaseni-z-manifestacniho-mitinku-koneclevnepra/16881> (in Czech only).

15) Ditto.

16) See SP ČR, 2015.

17) Source: focus group, 22. 11. 2016.

18) The Czech Agrarian Chamber (Agrární komora České republiky, AK ČR) has a similar mission to that of the Czech Chamber of Commerce and covers entrepreneurs in the agriculture, food and forestry sectors. As Chamber of Commerce, the Chamber is not a social partner.

19) The Education Policy Strategy to 2020, the International Competitiveness Strategy of the Czech Republic for the period 2012-2020, the Government Action Plan to support Economic Growth and Employment, etc.

21) ČMKOS, 2015.

- 1) information technology and electronic communication,
- 2) energy,
- 3) construction,
- 4) chemicals,
- 5) hospitality, catering and tourism,
- 6) public service and administration,
- 7) agriculture,
- 8) textile, clothing and leather industries.

Table 7 Selected higher-level collective agreements and salary increases in 2008-2015

HLCA concluded by:	Year-on-year increase in average nominal wages agreed in HLCAs							
	2008	2009	2010	2011	2012	2013	2014	2015
Trade Union ECHO (OS ECHO) – Association of the Chemical Industry of the Czech Republic (SPCH ČR)	6%	not regulated	not regulated	not regulated	at the level of inflation	increase in tariff salaries	at the level of inflation	maintaining real wages,
Trade union ECHO (OS ECHO) – Czech Association of Energy Sector Employers (ČZSE)	6%	5%	increase in tariff salaries and bonuses	increase in tariff salaries and bonuses	increase in tariff salaries of 2% and bonuses 3%	increase in tariff salaries	increase in tariff salaries and bonuses	maintaining real wages, increase in tariff salaries of 1.5%
Czech Metalworkers' Federation (OS KOVO) – Czech and Moravian Electrical and Electronic Association	4%	3.5%	at the level of 2009	min. 1.7%	min. 1.7%	min. 1.5%	min. 1.5%	min. nominal wage growth of 1.5%
Czech Metalworkers' Federation (OS KOVO) – Association Of Aviation Manufacturers of the Czech Republic (ALV)	6%	3%	1%	2%	1%	2%	2%	2%
Trade Union of Building Workers of the Czech Republic (OS STAVBA) – The Association of Building Entrepreneurs of the Czech Republic (SPS)	5–6%	1.5–2%	at the level of 2009	increase in tariff salaries and bonuses	estimate 1–1.9%	increase in tariff salaries	increase in tariff salaries	increase in tariff salaries of 1.5%
Trade Union of Workers in Mines, Geology and the Oil Industry (OSPHGN) – The Employers' Association of Mining and Oil Industries (ZSDNP)	5–6%	at the level of inflation	at the level of inflation	at the level of inflation	increase in tariff salaries	maintaining real wages	maintaining real wages	maintaining real wages
Trade Union of Workers in the Woodworking Industry, Forestry and Management of Water Supplies (OS DLV) – Union of Veolia Water Employers of the Czech Republic	6%	6.5%	2%	2.7%	3.5%	2.5%	increase in tariff salaries and bonuses	increase in tariff salaries of 1%
Trade Union of Workers in the Woodworking Industry, Forestry and Management of Water Supplies (OS DLV) – Association of the Pulp and Paper Industry (ACPP)	5–6%	at the level of inflation	not regulated	at the level of inflation	at the level of inflation	not regulated	maintaining real wages	growth in real wages
Trade Union of Workers in Commerce (OSPO) – Czech Confederation of Commerce and Tourism (SOCR)	6%	at the level of inflation	not regulated	at the level of inflation	not regulated	maintaining real wages	maintaining real wages	maintaining real wages

Source: ČMKOS

Although again the agreements are not legally binding and deal mainly with the development of human resources in individual sectors (support for cooperation between companies and schools, the further education of employees, etc.), the importance of these agreements lies in the fact that social dialogue at sectoral level in these sectors is functioning to a greater or lesser extent. Conversely, in other sectors (banking and insurance, certain sectors covered by the Czech Metalworkers' Confederation, *OS KOVO*) social dialogue at the sectoral level is not functioning – the reasons usually consist of employer reluctance to deal at this level of social dialogue or a lack of partners on the side of employers. Employee representatives believe that this is one of the consequences of the ongoing decentralisation of social dialogue - social dialogue and collective bargaining are being further transferred to the company level, the decision-making of which is totally autonomous.²³

This development is also partly evident from Table 7, which reveals that wage increases agreed via HLCAs are being formulated in an increasingly vague manner. Moreover, some HLCAs do not contain any provisions on wage growth at all.²⁴ This can be interpreted both in terms of an unwillingness on the part of employers to commit to increasing wages (because of the economic downturn) and social partners leaving more and more room for agreement on wage development via collective bargaining at the company level.

Employers, however, are currently facing strong pressure from the trade unions and employees. As a result of falling unemployment and an education system that is failing to respond flexibly to the needs of the labour market, some sectors are suffering from acute labour shortages (particularly concerning technical professions, the chemical industry, and the health sector where the Czech Republic has long faced a shortage of nurses and care providers). A shortage of labour naturally creates pressure for further wage increases.

3.2.3 Sectoral level and enterprise level

Collective bargaining at the company level is somewhat conservative as far as this theme is

concerned. The most important topic covered by CLCAs consists of wage growth, if only because HLCAs by their nature (they tend to establish minimum standards for social partners) do not provide so much space for addressing wage conditions. Other issues which are covered relatively often by CLCAs include increased holiday entitlement, the creation of social funds, contributions towards corporate catering and so on. Conversely, “new” issues (working from home, specific programmes aimed at facilitating the return to work of employees following a period of parental leave, etc.) are contained only in a small percentage of CLCAs, which indeed corresponds with the conclusions of the focus group meetings. Table 9 below provides an overview of selected CLCA topics and their development within respective CLCAs.

Even at the company level, relations between employees and employers have been affected by the economic recovery – the improved economic environment and the shortage of skilled labour are exerting pressure on employers to increase wages, as illustrated in table 8 which shows the number of CLCAs containing provisions on wage development.

The table 8 illustrates that in 2008 wage development was negotiated in 74% of CLCAs, and at the onset of the economic crisis the number of CLCAs containing agreements on wage development began to decline. The largest decline occurred in 2010 in which year agreements on wage development were contained in only 42.4% of CLCAs. In 2011, however, a turnaround is evident with concern to wage development with agreements being concluded in 56.1% of CLCAs and this rising trend continues. 2011 was also the last year in which reductions in average wages were agreed (0.1% of CLCAs).²⁵

The number of CLCAs containing agreements on other working conditions varied and, unlike wage arrangements, they did not copy economic development. Moderate growth is evident with respect only to flexible working patterns and the creation of social funds while, conversely, the number of CLCAs containing specific programmes to facilitate the return to work of employees following parental leave, the professional development of

23) Source: Focus group, 22. 11. 2016.

24) ČMKOS, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015.

25) Source: ČMKOS, 2011

Table 8 Number of CLCAs where wage development was negotiated

Year	2008	2009	2010	2011	2012	2013	2014	2015
% of CLCAs	74.0	56.2	42.4	56.1	59.7	59.4	57.7	61.2

Source: Information system on working conditions survey (Informační systém o pracovních podmínkách, IPP)

Table 9 Number of CLCAs concerning specific working conditions

Working conditions	2009	2010	2011	2012	2013	2014	2015
Increase in holiday entitlement of 1 week (%)	75.6	76.3	78.2	77.8	77.0	76.3	75.5
Increase in holiday entitlement of 2 weeks (%)	0.8	1.3	0.8	1.2	1.4	1.7	1.6
Flexible working hours (%)	n/a	22.9	23.4	25.6	23.4	25.0	26.1
Working from home (%)	n/a	n/a	0.8	0.8	0.7	0.4	0.5
Average stipulated working hours (hours per week)	38.0	38.8	38.0	38.0	38.1	38.1	38.1
Specific conditions (programmes) to facilitate the return of employees from parental leave (%)	n/a	8.5	8.6	7.0	7.0	5.6	5.5
Professional development of employees (%)	26.9	32.7	32.1	33.0	34.0	33.9	33.0
Equal treatment and reconciliation of work and family life (%)	24.5	28.8	30.7	33.0	32.1	29.6	28.6
Creation of social funds (% of CLCAs)	31.0	31.0	29.8	31.1	32.2	33.2	33.4
Contribution to corporate catering (% of CLCAs)	93.2	94.8	93.5	93.2	94.0	94.2	95.5

Source: Information system on working conditions survey (Informační systém o pracovních podmínkách, IPP)

employees, equal treatment and the reconciliation of work and family life, and working from home has shown a slight tendency to fall with the economic recovery.

Generally, however, ČMKOS has stated that “in 2015 collective bargaining experienced a marked recovery; employers are more inclined towards social dialogue and consider the trade unions to be negotiating partners.”²⁶

4. Challenges in industrial relations in the future

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4.1 Digitalisation of economy in the Czech Republic

4.1.1 The level of digitalisation in the Czech Republic

According to the results of the latest EUROSTAT survey (2016),²⁷ the Czech Republic occupies 17th place in the EU28 in terms of the rate of digitalisation which is measured by means of the Digital Economy and Society Index (DESI), i.e. a standardised indicator comprised of several separate indicators. One of the indicators according to which Czech companies remain below the European average concerns the number of employees who, when using computers at work, are connected to the Internet and use portable devices (laptops, tablets, smartphones, etc.). Czech companies are also placed below the EU28 average in terms of the active use of social media. Conversely, those indicators according to which Czech companies stand out include the creation and functionality of their own Internet web pages. Czech businesses are also active in terms of e-commerce.²⁸

4.1.2 The theme of digitalisation as an element of strategic planning

The theme of digitalisation accompanied by the Industry 4.0 term penetrates the strategies designed for increasing economic efficiency in both the private and public sectors at a number of levels, i.e. from national to internal company strategies. This means that many players in the economic environment have already begun to realise the enormous significance of digital technologies for business and the functioning of organisations and companies, and that the influence thereof will continue to grow.

Although the Czech Republic is one of the most industrialised countries in the EU, it is not adequately prepared for the changes anticipated as the result of computerisation and robotisation; in this respect the government, social partners and the professional public are in complete agreement. In addition to constructing the relevant technical infrastructure, discussions also cover the need for new labour market and education policies including requalification.

The Czech Republic began to comprehensively pursue the issue of digitalisation and its impact on the economic development of the country, especially on the situation in the industrial sector and related consequences such as changes in the labour market and education system, only as recently as in 2015. In the context of the "Action Plan for the Development of the Digital Market"²⁹ approved by the government in August 2015, the former Minister of Industry and Trade Jan Mládek initiated the development of a comprehensive concept and strategy known as "Industry 4.0". The strategy is underpinned by the government-approved "Industry 4.0 – the initiative for the Czech Republic" report³⁰ (approved in August 2016). (Eurofound, Addressing digital and technological change).

Thus, coordinated themed discussions are being held at the highest levels in the form of working groups. The meetings of these groups resulted directly in the drafting the afore-mentioned "Industry 4.0 – the initiative for the Czech Republic" strategy. A number of experts participated in the compilation of the strategy, i.e. principally representatives of employers' organisations (*The Confederation of Industry of the Czech Republic* (Svaz průmyslu a dopravy ČR, SP ČR), the *Automotive Industry Association* (Sdružení automobilového průmyslu, SAP), selected employers (Foxconn CZ, Siemens Czech Republic, Cisco), government representatives (*Ministry of Industry and Trade of the Czech Republic*, Ministerstvo průmyslu a obchodu České republiky, MPO ČR), research institutions (*National Training Fund*,³¹ *Czech Technology Agency*,³² *CERGE-EI*), academia (CIIRC CTU,³³ FEL CTU,³⁴ MMF UK,³⁵ FAV ZČU Plzeň³⁶ etc.) and independent consultancy companies (Ernst and Young). Leadership was provided by Professor Vladimír Mařík, the managing director of CIIRC. In comparison to the other players involved, the trade unions were accorded a somewhat limited role in the compilation of the study. At the beginning of the process, at which time working groups commenced work on creating a basic strategy, ČMKOS (the largest trade union association in the Czech Republic) openly complained of wilful neglect with respect to the opinions of the trade unions. Union representatives were subsequently

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²⁷ For the definition see <http://digital-agenda-data.eu/datasets/desi/indicators>

²⁸ BUREŠOVÁ (2016).

²⁹ Úřad vlády České republiky (2015). *Akční plán pro rozvoj digitálního trhu*. Available at https://www.vlada.cz/assets/media-centrum/aktualne/ma_KORN9YAKXSHL_REV_2-fin.pdf (in Czech only)

³⁰ See MAŘÍK, Vladimír. et al. (2016). *Industry 4.0 – the initiative for the Czech Republic. The Report Approved by the Government of the Czech Republic on August 23, 2016*. Available on-line at: <https://www.ciirc.cvut.cz/wp-content/uploads/2016/08/2016-08CzechInitiativeIndustry4-0.pdf>.

³¹ Národní vzdělávací fond, NVF.

³² Technologická agentura České republiky, TAČR.

³³ Czech Institute of Informatics, Robotics and Cybernetics, Czech Technical University in Prague (Český institut informatiky, robotiky a kybernetiky, České vysoké učení technické v Praze).

³⁴ Faculty of electrical engineering, Czech Technical University in Prague (Fakulta elektrotechnická, České vysoké učení technické)

³⁵ Faculty of Mathematics and Physics, Charles University (Matematicko-fyzikální fakulta Univerzita Karlova, MMF UK).

³⁶ Faculty of applied sciences, University of West Bohemia in Pilsen (Fakulta aplikovaných věd, Západočeská univerzita v Plzni).

involved in a debate on digitalisation and automation at the Council for Economic and Social Agreement (Rada hospodářské a sociální dohody, RHSD) tripartite level which highlighted the need to address, in addition to the Industry 4.0 concept, the social impacts of the so-called 4th industrial cycle on the labour force.

The Office of the Czech Government (Úřad vlády ČR) has been entrusted with the coordination and introduction of the Industry 4.0 concept into practice along with addressing the social impacts of the changes that the digital economy will bring about. In addition, Tomáš Prouza, who has been nominated as the so-called “Digital Tsar” for the digital agenda, will be responsible for coordinating the work of individual ministries and the preparation of specific strategies.

The authors of the “Industry 4.0 – the initiative for the Czech Republic” study, as well as the representatives of the Government responsible for this issue, have expressed their appreciation of the fact that the Czech Industry 4.0 initiative is not only focused on industrial production, but also on other broader and/or inter-connected areas. Government measures thus reflect the fact that it is also necessary to intervene in the areas of education and employment policy, and that these measures must be properly harmonised. Priority areas include in particular changes in the education system.

4.1.3 Social partners and their approach to the theme of advanced digitalisation³⁷

As has already been mentioned, social partners in the Czech Republic are involved in the development of national strategies concerning digitalisation and the impact of technological change on the functioning of the economy and the labour market. All the parties involved perceive the process of digitalisation, interconnection and the emergence of the fourth industrial cycle somewhat ambivalently. It is fair to state that fears do prevail especially on the part of the trade unions, and an optimistic approach, which perceives technological change as a challenge and a means to achieving greater efficiency, can be seen predominantly on the side of employers.

Although, currently, strategic discussions on advanced digitalisation and Industry 4.0 initiatives are primarily focused at the national level, this theme is also being addressed to a certain extent at the sectoral and regional levels. In the past year, discussions have been held on this theme in the context of bipartite social dialogue in regions and

within individual sectors as part of a joint project conducted by SP ČR and ČMKOS entitled Connecting national, sectoral and regional social dialogue in the Czech Republic³⁸

Apart from this project, however, sectoral debate on this subject is rare, although e.g. representatives of the Czech Metalworkers’ Federation (**OS KOVO**) consider sectoral dialogue as the ideal level for addressing issues relating to changes in the labour market brought about by technological advances. From the viewpoint of the structure of social dialogue in the Czech Republic, the sectoral level is weakened by the absence of suitable negotiating partners on the side of employers.

In addition to the activities outlined above, the advanced digitalisation agenda is being addressed by the trade unions and the employers’ associations and confederations internally at the relevant levels. With respect to digitalisation and the Industry 4.0 agenda, the various social partners often address different issues and have differing interests. The points of intersection for both sides consist of the areas of education and training and human resources management.

Activities conducted by employers

While it can be stated that although the trade unions are not underestimating the new situation created by the advent of advanced digital technology, employers are clearly more proactively oriented. Employers’ associations, led by the Confederation of Industry of the Czech Republic, make efforts to inform their members of the latest innovations and elicit their feedback, not only through organised meetings, but also by means of the conducting of sociological research within the membership. The Czech-German Chamber of Industry (**Česko-německá obchodní a průmyslová komora, ČNOPK**) for example organises roundtable meetings on the topic, to which representatives of Czech and German companies are invited. At the regional level, conferences are held, in cooperation with **CzechInvest – Investment and Business Development Agency (CzechInvest – Agentura pro podporu podnikání a investice)** and major employers in the respective region, on the effective introduction to their businesses of the systems outlined in Industry 4.0. In addition, SP ČR has developed the so-called “evaluation model for the self-assessment of the digital maturity of companies” for its members via which companies are able to assess whether it is worthwhile investing in digital technology or whether it is better to rely on human labour. Moreover, awareness activities on the part of employers’ associations are not limited to their own membership base, for example, experts from the Confederation of Industry regularly present lectures on the topic of

38) CZ.03.1.52/0.0/0.0/15_002/0000026 Connecting national, sectoral and regional social dialogue in the Czech Republic. Project supported by European Social Fund and will run from 2015 to 2018. The project report and the outcomes of negotiations are expected in early 2017

37) Source: ČMKOS, 2015, 101 pp.

Industry 4.0 at secondary schools.

Representatives of employers' associations agree that most employers, especially SMEs, do not yet fully understand the Industry 4.0 concept. Such associations have therefore chosen to instruct their members in a way that they feel they will best understand. For example, the **Association of Small and Medium-sized Enterprises and Crafts of the Czech Republic** (Asociace malých a středních podniků a živnostníků ČR, **AMSP ČR**) has launched the **Řemeslo 4.0** (Craft 4.0) project, inspired by a similar scheme underway in Bavaria.

As a result of this approach, employers expect both higher productivity (increased efficiency and flexible processes leading to cost savings) and solutions to the ever-worsening shortage of labour. Moreover, they are afraid of losing their competitive edge compared to other advanced economies should they "miss the boat" in terms of advanced digitalisation. The focus of the approach of employers' associations thus includes familiarising companies with new digital systems and technologies providing for the complex interconnection of all the company's production systems. Employers' associations are also looking for ways in which to support their members in terms of implementing new technology.

Employers are aware of the fact that digitalisation will bring with it changes both in the quality of work and working patterns leading towards greater flexibility and less dependence on the place at which work is performed. Companies are thus being systematically made aware from the side of the unions that this trend will require adjustments to be made to their HR strategies as soon as possible. "Companies will not have a full complement of full-time employees at their disposal, but will consist of highly-specialised professions that will not use the full-time model" (manager for the digital economy, SP ČR).

It can be assumed that the impacts of technological changes and the digitalisation of the economy will vary from company to company, i.e. there will be a differentiation in terms of the intensity of the impact on productivity and operation of companies. Discussion groups involving employer representatives revealed that opinion is divided regarding the impact of digitalisation on the competitiveness of SMEs. For example, with respect to the printing industry, it was mentioned that smaller companies are already being squeezed out of the market since they cannot afford to purchase expensive technology. At the same time, government representatives supported the theory of the probable centralisation of production and value-added services. Specifically, there is a possi-

bility of monopole situation of certain companies that can perform on the basis of a technological platform. Such companies will have the financial resources for new technologies and the development thereof and thus will be able to dominate a substantial part of the market. Conversely, a Confederation of Industry (SPČR) expert expressed the opinion that small firms have the ability to flexibly respond to technological changes and that they will not be pushed out of the market.

Activities conducted by the trade unions

The trade unions, headed by ČMKOS, are well aware that technological change cannot be prevented, and that it will be necessary to adapt their activities to current trends.

The pace of the introduction of advanced technologies and the expansion of the Industry 4.0 concept largely depends on the financial resources of specific companies. The Czech economy is very open and is oriented towards exports with a high level of foreign capital invested in companies, which may have an impact on both the pace and willingness to introduce changes. The trade unions, in particular, fear that foreign owners will not want to invest in expensive technology and employee retraining in the Czech Republic, preferring instead to continue to exploit the country's cheap labour force.

ČMKOS President Josef Středula expressed the following concern: 'The question is whether the 40% of companies operating in the Czech Republic which are controlled by foreign capital will have enough motivation to take their Czech passengers on board the accelerating Industry 4.0 "super express".'

On the same theme, the trade union representative at Škoda Auto, a. s. added that it will be necessary for the state to invite to the Czech Republic, and subsequently provide support for, only those companies which will bring with them research, development and new technology i. e., "it will be necessary for us to attract production with added value in the form of, for example, innovation centres".

Employee representatives stress that with respect to technological change the social and ethical dimensions of the implementation of Industry 4.0 cannot be ignored. Threatening the institute of work without creating conditions for new employment opportunities could lead to social frustration, widening income gaps and the creation of various social barriers.

Trade union confederations and their affiliate associations appear eager to invest their potential

in such areas. The trade unions perceive their role specifically in the identification of future trends with respect to the occupational structure appropriate for the digital economy environment. According to trade union representatives, it is necessary to prepare employees now for change so as to allow them to better adapt, i.e. to increase the chances of finding new positions should their jobs be terminated. Discussions with employers will be of key importance with the aim of anticipating HR strategies at the corporate level. Nevertheless, such partnerships between representatives of employees and employers are not yet the norm. One exception concerns Škoda Auto, a.s. which has concluded a so-called "Employment Agreement" with the trade unions (currently in force until 2018) which aims to predict changes in the employment structure and to anticipate the future skills requirements of the company.

With respect particularly to certain sectors (e. g. rail and other public transportation, health care, etc.), the trade unions plan to involve themselves in issues relating to security and data protection in addition to the traditional areas of employment, education and training, social protection and occupational health and safety. The trade unions opined that digitalisation will lead not only to savings, but also to substantial risks and greater vulnerability.

The changes anticipated with respect to the nature of work, changes concerning the use of specific types of employment contracts and the modification of the organisation of working time resulting from the digitalisation of the economy raises the questions of whether the structures of the trade unions themselves require organisational change and to what extent the traditional sectoral organisation of labour relations will be eroded. The disruption of these traditional relationships will involve essentially work through the so-called "platform economy" and "crowd working", which currently in the Czech Republic are not particularly widely used.

The trend in the character of work towards automation and spatial disconnection from the work place means that the trade unions will have to switch to a form of e-communication (e. g. the dissemination of opinions using social media networks) and e-organisation (e. g. on-line applications) etc. A change in the approach to the membership base is inevitable. Trade union confederations and individual affiliate unions will have to improve their levels of professionalism with the support of e.g. legal and economic experts, which will be very costly and which is, at present, not easily attainable. That said, some trade unions (e. g. ČMKOS) already make use of all the commu-

nication channels and social networking options available both as a means of propagating their opinions and supporting their various activities.

In addition to social partners, the government, academia and public organisations (e. g. Czech-Invest), professional associations and non-profit organisations are also taking an interest in the theme of digitalisation. Recently, for example, a number of conferences have been held on the subject targeted at professionals in the fields of human resources and employment legislation.

4.1.4 Education as a priority theme for all stakeholders

Debates on the introduction of Industry 4.0 and the emerging digital economy invariably include warnings with respect to serious deficiencies in the education system which, it is suggested, is not prepared for technological change. All the parties involved agree that there is a need to restructure the Czech education system. At the government level, the "Action Plan for the Development of the Digital Market" was developed in the form of two more detailed strategies, namely: the Strategy for Digital Education 2015–2020³⁹ and the Strategy for Digital Literacy 2015–2020.⁴⁰ In September 2016, the Czech National Coalition for Digital Jobs (Národní koalice pro digitální pracovní místa) was established as one of the aims set out in the Strategy for Digital Education 2015–2020. The main objective of the Coalition is to regulate cooperation between the public sector, the private sector, academia and other partners in the field of digital education. In the near future, it is planned that the government will financially support e. g. the introduction of courses on digital competences in schools, the appointment of ITC mediators in schools, the provision of technical IT equipment etc.

Moreover, the government is working closely with neighbouring Germany as a bilateral partner. The **Ministry of Industry and Trade of the Czech Republic** (Ministerstvo průmyslu a obchodu České republiky, **MPO ČR**) concluded a cooperation agreement with the **German Federal Ministry of Education and Research** (Bundesministerium für Bildung und Forschung, **BMBF**) with the aim of cooperation on the introduction of a new modern system of education known as "Education 4.0".

Moreover, it will be necessary that any adjustments to the curricula and the composition of courses offered reflect the interconnection of vocational qualifications and digital skills. At the present time, the best option would appear to be the introduction of a dual education system. However, the last

39) Ministry of Education, Youth and Sports of the Czech Republic (2014). *Strategie digitálního vzdělávání do roku 2020. 31. 10. 2014*. Available at <http://www.eduin.cz/wp-content/uploads/2014/12/DigiStrategie.pdf> (in Czech only).

40) MPSV ČR (2015). *Strategie digitální gramotnosti ČR na období 2015 až 2020. June 2015*. Available at: http://www.mpsv.cz/files/clanky/21499/Strategie_DG.pdf (in Czech only).

few years have seen a consistent failure to effectively put such a system into practice. Nevertheless, a certain shift in this respect can be expected following an agreement between representatives of the main employers' organisations the SP ČR, the **Czech Chamber of Commerce** (Hospodářská komora ČR, HK ČR), the Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic (*Konfederace zaměstnavatelských a podnikatelských svazů České republiky*, KZPS)

and the **Czech Agrarian Chamber** (Agrární komora ČR), signed on 20 October 2016, which provides for the splitting of the responsibility of employers' organisations for different groups of vocational education disciplines taught at secondary schools. This division of responsibility between the various employers' associations and chambers is aimed at improving the coordination of practical in-house company training and at introducing elements of dual education to the Czech education system.

Table 8 Proportion of employees working on fixed-term contracts

Year	Number of employees working on fixed-term contracts (% of total no. of employees)
2009	7.0
2010	7.3
2011	7.0
2012	7.2
2013	7.9
2014	8.3
2015	8.7

Source: Czech Statistical Office

4.2 New and atypical forms of employment

4.2.1 Types of new and atypical forms of employment in the Czech Republic and related legislation

New non-standard or atypical forms of employment⁴¹ are taken advantage of only to a limited extent in the Czech Republic. Flexibility in the labour market has formed a significant trend in developed European countries for several decades and it can only be assumed that its importance will continue to increase. The Czech Republic, however, is lagging far behind with respect to the development of flexibility in the labour market (Kotíková, Kotrusová, Vychová, 2012). In the Czech environment, employed persons are used to both working full-time and to concluding open-end (non-time-limited) employment contracts; indeed, this form of employment is the preferred option of employers. Flexible forms of employment in the Czech Republic are regulated by Act No. 262/2006 Coll., the Labour Code.⁴²

Fixed-term contracts

Fixed-term contracts are defined in the Labour Code, which regulates when and under what conditions this type of employment arrangement can be concluded and, if relevant, extended.⁴³ Those most often employed on such contracts include seasonal workers and persons standing in for permanent employees (e.g. for those on sick leave

or maternity leave) – see Kotíková, Kotrusová, Vychová, 2012. This type of contract is seen as particularly beneficial for the employer – the degree of flexibility is much greater as compared to part-time work (see below) and allows the employer to adjust the number of personnel to the current economic situation. Moreover, the use of this type of contract is slightly more frequent than that of part-time employment (see table 8) and is increasing slowly. That said, it continues to represent a relatively marginal form of employment.

Part-time employment

The Labour Code defines part-time employment (i.e. shorter working hours) as employment amounting to less than 40 hours per week, which can be concluded on a fixed-term or open-end basis, and for which the employee is entitled to remuneration corresponding to the shorter hours worked. The target group of the workforce for which the Labour Code allows for the shortening of working hours consists of pregnant women and persons who provide care either for their own children (under 15 years of age) or for other persons who are unable to care for themselves (requiring constant care). With respect to such employees, the employer has a duty to comply with a request for a reduction in working hours unless this is precluded by serious operational reasons. What is meant by such reasons,

41) For a definition of this term please see Eurofound, 2009: *Atypical work refers to employment relationships not conforming to the standard or 'typical' model of full-time, regular, open-end employment with a single employer over a long-time span. The latter in turn is defined as a socially secure, full-time job of unlimited duration, with standard working hours guaranteeing a regular income and, via social security systems geared towards wage earners, securing pension payments and protection against ill-health and unemployment.*

42) This text does not address illegal forms of employment, i.e. forms that exist outside employment relationships defined in the Labour Code. Of course, such forms occur in the Czech Republic, and probably the most frequently used form of employment in this respect consists of the status of self-employed person (Nekolová, 2010). Although such forms of employment may meet the conditions relating to the definition of atypical forms of employment, they are not legal and, therefore, no statistics are available; thus, this paper does not address this theme.

43) For more details, see Act No. 262/2006 Coll., the Labour Code, Section 39.

Table 9 Proportion of employees working part-time

Year	Number of employees working part-time (% of total no. of employees)
2009	5.1
2010	6.0
2011	5.5
2012	5.8
2013	6.6
2014	6.4
2015	6.3

Source: Czech Statistical Office

however, is not specified in detail. Similarly, no regulation exists with respect to the entitlement to increase the number of working hours once the requirement to decrease working hours on the side of the employee no longer applies (Kotíková, Kotrusová, Vychová, 2012).

Although the proportion of people working part-time is slightly on the increase in the Czech Republic, the number is still very low (see table 9), which is due particularly to the economic disadvantage of this type of employment. The most frequent reasons advanced for working part-time consist of medical issues (mainly concerning elderly persons), the inability to secure full-time employment, the need to care for children or other dependent persons (especially concerning women), or continuing education (Kotíková, Kotrusová, Vychová, 2012).

Working from home

Currently, working from home is not comprehensively regulated; however, it has been allowed under the Labour Code for several years - according to Nekolová, 2010, such a form of work enjoys a certain tradition in the Czech Republic, even though for many years it was limited to very specific groups of the population (particularly women over retirement age and mothers on maternity leave). Currently, in terms of the form of employment relationship, working from home is conducted on the basis of a standard employment contract. Obstacles to the wider use of working from home consist of concerns regarding the inability of employers to ensure compliance with safety regulations regarding the performance of work, the inability to supervise employees, difficulties concerning communication with employees and doubts with respect to labour productivity (Kotíková, Kotrusová, Vychová, 2012, *Czech-Moravian Confederation of Trade Unions* (Českomoravská konfederace odborových svazů, ČMKOS), 2016).

Flexible working arrangements

The Labour Code recognises flexible working arrangements⁴⁴ and the so-called "working time account".⁴⁵ Flexible working hours allow for the selection of the start and finish times of the working period within a predetermined time range agreed between the employee and the employer. The employee is required to be in the place of work during the agreed core time period. The length of individual working shifts should not exceed 12 hours. This kind of flexible employment is particularly advantageous for mothers with young children whose working hours must often be adapted to fit in with the need to arrange care for their children (kindergarten).

The working time account represents the most flexible form of working time arrangement and consists of the employer assigning work to employees according to their requirements, and it is possible to depart from the working hours schedule on an arbitrary basis. The employee is paid via a permanent (fixed) monthly salary regardless of the amount of work performed and the actual remuneration achieved, and any overtime owed to the employee is settled at the end of the so-called "balancing period". The working time account can be used by every employer in the private sector; however, it must be governed via a collective agreement or company internal regulations and employees must agree to its introduction. The balancing period is either 26 weeks or 52 weeks if the implementation of the system was agreed via a collective agreement. The employer is obliged to maintain accounts of the employee's working hours and wages. Working time accounts are therefore administratively demanding and economically risky given the short balancing period; thus, this form of work arrangement is mainly used by larger companies (Kotíková, Kotrusová, Vychová, 2012).

44) For details of the legislation, see Act No. 262/2006 Coll., the Labour Code, Section 85

45) For details of the legislation, see Act No. 262/2006 Coll., the Labour Code, Sections 86–87.

Casual working arrangements – agreements to perform work and agreements to complete a job⁴⁶

Both forms of working arrangement refer to specific periods of work and are closely regulated by the Labour Code. They have been used in the Czech Republic for many years as a flexible alternative to more strictly regulated forms of employment (employment contracts). They are not covered by labour legislation governing severance pay, working hours, barriers to work on the side of the employer, remuneration agreements and so on. The use of such contracts, unfortunately, is not recorded in official statistics; however, according to unofficial estimates, the use of these forms of working arrangement is on the increase in the Czech Republic (Nekolová, 2010).

Employment of workers via employment agencies

Agency employment⁴⁷ represents a relatively new form of employment in the Czech Republic and has been governed by legislation only since 2004, with the introduction of significant legislative changes in 2011 aimed at tightening up the conditions relating to the authorisation and operation of such agencies. The principle behind agency employment consists of a tripartite relationship between an agency that is in possession of the appropriate permit from the **Ministry of Labour and Social Affairs of the Czech Republic** (Ministerstvo práce a sociálních věcí České republiky, MPSV ČR), and the employee who concludes an employment contract with the agency agreeing that the agency will allocate him/her temporary work with a client of the agency (the agency commits itself to securing temporary work for the employee with the client), and between the agency and the client who is offering a particular job position in the labour market. Agency employment and the flexibility that go with it are important in terms of covering fluctuations in the economy.

Agency employment in the Czech Republic has long been regarded as a tool for the casualisation of employment since, in the past, employment agencies often circumvented (and some continue to circumvent) employment legislation (in many cases through taking advantage of “gaps” in legislation). Although the MPSV ČR and social partners continue to try to “refine” the performance of employment agencies, i.e. by modifying legislation and informing employers and employees of the risks of this form of employment, employment agencies are struggling to shed their poor reputation. Trade unions are particularly opposed to agency employment due to concerns about the casualisation of employment and the fact that agency workers in the Czech Republic do not join trade unions, meaning that a whole group of employees remains outside trade union influence.

4.2.2 The attitudes of social partners with respect to flexible forms of employment and future prospects

As mentioned above, Czech employees and employers are, on the whole, conservative and prefer standard employment arrangements, i.e. full-time and open-end time contracts. However, the foresight workshop revealed that both sides are aware that changes in the labour market brought about by digitisation and the economic recovery will lead to the requirement for greater flexibility on the side of both employees and employers.

Social partners at the level of trade union and employers' confederations have been involved in the analysis, mapping and consideration of the various options concerning flexible forms of employment for several years. The **Confederation of Industry of the Czech Republic** (Svaz průmyslu a dopravy České republiky, SP ČR) commissioned, for example, a project called the Sustainability of social dialogue in the Czech Republic aimed at the development of the quality of the services of employer representatives.⁴⁸ The outcome of the project consisted, *inter alia*, of the analysis of flexible forms of work in selected EU countries (see references). ČMKOS, in cooperation with the SP ČR, is currently working on the Shortening of Working Hours project⁴⁹ which aims to strengthen the capacity of social dialogue in terms of the introduction of reductions in working hours without reducing wage levels and the use of flexible working time arrangements in relation to labour productivity, competitiveness and the reconciliation of work, private and family life. It can therefore be stated that social partners at the central level are fully engaged with issues surrounding flexible working arrangements and with determining ways in which to make the labour market more flexible. Unfortunately, however, the consideration of the options for and advantages of introducing flexible working arrangements is limited to the central level - at lower levels (trade unions and employers' associations, specific workplaces) social partners continue to be conservative and to prefer full-time employment and open-end time contracts, as is evident from the statistics (see above).

As demonstrated by discussions at the foresight workshop with both employee and employer representatives, different sectors and workplaces have different requirements with respect to flexible working arrangements. For example, in those sectors covered by the Czech Metalworkers Union (**OS KOVO**) where there is a high incidence of agency employment, the conditions do not yet exist for e.g. working from home - in the manufacturing sector particularly it is important that

46) For details of the legislation, see Act No. 262/2006 Coll., the Labour Code, Sections 74-77.

47) For details of the legislation see Act No. 262/2006 Coll., the Labour Code, Sections 308-309. Legislative conditions concerning the establishment and activities of employment agencies are also set out in Act No. 435/2004 Coll., on employment, Sections 58-65.

48) CZ.1.04/1.1.01/02.0001/2 The Sustainability of Social Dialogue in the Czech Republic – the development of the quality of the services of employer representatives. The project was supported by the European Social Fund and was conducted in the period 2010-2013.

49) CZ.03.1.52/0.0/0.0/15_002/0001/83/1 The Shortening of Working Hours. The project is supported by the European Social Fund and will run from 2016 to 2018.

Table 10 Forms of employment and their use in practice

Type of employment	% of respondents
Full-time employment, open-end	70.3
Full-time employment, fixed-term	13.2
Part-time employment, open-end	5.4
Part-time employment, fixed-term	4.6
Agreement to perform work – open-end	2.4
Agreement to perform work – fixed-term	1.7
Agreement to complete a job	0.6
Working from home – full-time	0.1
Working from home – part-time	1.7

Source: ČMKOS, 2016, Note: N = 3,924

the employee be present at his/her place of work since only there does he/she have the equipment required to do his/her job; this also applies e.g. to the chemical industry. With respect to the public administration sector, according to a representative of the Trade Union of State Bodies and Organisations (*Odborový svaz státních orgánů a organizací, OSSOO*), there is a problem not only with working from home, but also with flexible working arrangements - understandably, the employer insists on the employee being present during public office opening hours; this problem also applies to employees in the financial and insurance sectors. According to a representative of the Trade Union of Health Service and Social Care in the Czech Republic (*Odborový svaz zdravotnictví a sociální péče České republiky, OSZSP*), the health service particularly would face major problems without the use of agreements to perform work and agreements to complete a job, since in this sector it is common that junior doctors especial-

ly who work in hospitals full-time take on extra work in the private sector after completing their working hours at the relevant hospital or clinic based on such agreements.

An interesting view with respect to the use of flexible employment arrangements in the Czech Republic was revealed by the results of the afore-mentioned Shortening of Working Hours project that included a questionnaire survey which examined the use of flexible employment arrangements as viewed by both employees and employers. Table 10 shows that respondents expressed an overwhelming preference for standard full-time employment with open-end contracts, followed by full-time employment with fixed-term contracts. Other forms of employment were found to be much less popular.

Employee preferences differed however. The same research indicated that employees expressed the

Table 11 The optimum working hours' regime for employees

Type of employment	% of respondents
Flexible working hours	25.6
Shorter working hours	22.7
Working from home	21.4
Standard fixed working hours, Monday to Friday	20.3
Working time account	4.2
Standard fixed working hours' regime staggered unevenly for individual weeks	4.1
Only night work	1.3
Other working hours regimes	0.1
Don't know	0.3

Source: ČMKOS, 2016, Note: N= 1,581, corresponding to employees who are dissatisfied with their current working hours

Table 12 Do you, as an employer, apply the specified flexible forms of employment? (in %)

Form of employment	Yes	No	Occasionally	For individuals	Don't know
Flexible working hours	47.3	18.8	18.6	15.1	0.2
Agreement to complete a job	28.7	24.9	31.3	14.9	0.2
Agreement to perform work	25.0	23.6	28.7	22.5	0.2
Working from home	12.5	31.3	6.2	49.8	0.2
Working time account	6.4	81.2	0.1	0.1	12.2
Shorter working hours	5.3	57.7	6.3	30.8	0.1
Other form	6.1	81.4	5.9	6.3	0.3

Source: ČMKOS, 2016, Note: N = 366

greatest interest in flexible working hours, shorter working hours and working from home.

With respect to employers, it was found that the most popular form of flexible employment arrangements consisted of flexible working hours followed by agreements to complete a job and agreements to perform work; the least preferred option was shorter working hours. As was mentioned by social partners at the foresight workshop, employers still consider certain flexible employment arrangements (especially working from home and part-time work) as more of a benefit for employees rather than a form of employment that can be mutually beneficial.

It is clear that the preferences of employers and employees differ concerning the use of flexible employment arrangements. There are also differences between the forms of flexible employment

that employees would like and those that they actually work. In this respect, there is great scope for a more individual approach.

As was highlighted by social partners at the foresight workshop, the foundation for the success of the extension of flexible employment arrangements consists of mutual benefit. It is desirable that flexible employment arrangements be based on agreement between individual employees and the employer so that it is beneficial for both parties. According to social partners, the legislation governing flexible employment arrangements is generally sufficient and further legislative change is not required.⁵⁰ However, it is essential that both parties to any agreement benefit, i.e. neither the employer nor the employee must be forced into accepting any of the afore-mentioned flexible employment arrangements (e.g. as a result of legislation, lower bargaining power etc.).

50) This refers particularly to a planned amendment to the Labour Code which will introduce adjustments with respect to working from home, including the reimbursement of the costs incurred by working from home (internet access, energy bills, etc.). Those employers in particular who consider working from home to be a benefit for employees are firmly against - they believe that it is a contrary measure which will limit and complicate working from home as a result of its becoming disadvantageous for employers.

5. Conclusions and recommendations

Social dialogue and its various institutions underwent fundamental transformation in the 1990s as a result of the wide-ranging social and economic changes which occurred following the end of the communist era. Although in subsequent years relations between the government and social partners, as well as between social partners themselves, developed in various ways, the basic settings of social dialogue, the institutions involved and the topics covered essentially did not change during the period under study. Czech social dialogue tends to be conservative in nature as long as the social dialogue and collective bargaining topics remain stable - involving principally wages, working hours and social benefits.

Social dialogue and the legislation relating to this issue have, for many years, remained stable in the Czech Republic. The specific content and status of social dialogue in the monitored period was influenced in particular by relations between the government and social partners and the overall decrease in the number of trade union members.

The current government (in power since January 2014) of Prime Minister Bohuslav Sobotka (ČSSD) declared that it would engage in active social dialogue with social partners as a means of maintaining social peace and would establish an effective system for the exchange of experience between the government and social partners. These factors have fundamentally influenced the relationship between the government and the social partners (mainly with respect to the trade unions) and, overall, have improved communication between social partners and the government, which dramatically deteriorated during the right-wing government of Petr Nečas (Civic Democratic Party, ODS) which was elected in May 2010. The main aim of the Petr Nečas government was to guide the Czech economy out of the economic crisis that commenced in 2009; however, the proposed anti-crisis measures failed to take into account the opinions of social partners. Moreover, the government refused to respect the results of previous social dialogue. These conflicts eventually resulted in the trade unions refusing to participate in tripartite negotiations.

Under the current government, relations between the various social partners and the government have improved significantly, partly influenced by the economic recovery. The economic revival has

prompted the trade unions to start pressing for higher wages. While in the “crisis” years ČMKOS recommended its member trade union organisation members to base collective wage negotiations on the economic conditions prevailing in individual companies and industrial sectors, as early as in 2015 ČMKOS began to recommend its members to conduct collective bargaining so that average nominal wages in 2015 increased by at least 5% compared to 2014. The same target was set by ČMKOS for 2016, and for 2017 the target is between 5 and 5.5%. In addition, in May 2015, ČMKOS launched its “End of Cheap Labour Campaign”, the aim of which (according to the trade unions) is to “eliminate the persistent economic concept of low wages from the Czech economy”. Given the current economic situation and the serious labour shortage with which the Czech Republic is faced, the negotiating position of the trade unions is favourable and employers who wish to keep their employees are willing to work with the trade unions.

With respect to overall public confidence, Czech trade unions emerged from the economic crisis in a stronger position than prior to its onset. This was helped both by improved relations with the government and the moderate wage demands of the trade unions during the economic crisis. However, the long-term prospects of the trade unions remain debatable. The pan-European trend of declining trade union membership is also evident in the Czech Republic. The membership base is “dying out” and the unions appear unable to attract new members to their ranks. Even though both legislation and society view social dialogue in a favourable light, it is questionable whether the trade unions will have sufficient capacity to take advantage of all the opportunities made available to them.

The impact on social dialogue of the other factors examined, i.e. the digitalisation of the economy and the development of atypical forms of employment is unknown. However, social partners have indicated that they perceive the digitally interconnected economy as a process which will provide many opportunities and challenges but which, at the same time, will raise a number of concerns. The trade unions fear that the negative impacts will outweigh the benefits, while employers hold the opposite view. Social dialogue can, however, in the opinion of all the stakeholders involved,

make a significant contribution towards determining ways in which to best address the various concerns. Social partners have also emphasised the need for the intervention and support of the state and that immediately with concern to certain areas (legislation, education and training, investment in research innovation centres, financial incentives for the development of businesses etc.) It is clear that the Czech Republic lacks neither a strategy nor a vision with respect to how to address the advent of advanced digitalisation. The questions for the future, therefore, are how the strategy will be introduced and whether all the systems are ready for implementation. In certain areas, strategic planning is still in the early stages e.g. with respect to legislation regarding disruptive business methods, etc. According to the various social partners and, in this respect, they are in full agreement, it will be necessary that legislation, regulation and labour protection adapt fully to the conditions of the new economy.

The application of atypical forms of employment is not widespread in the Czech Republic. Both employers and employees tend to prefer non-time limited and full-time employment arrangements. However, the various social partners are aware that changes in the labour market due to digitalisation and the economic recovery will require more flexibility on the part both of employees and employers. It can be stated that with respect to flexible forms of employment, social

partners at the headquarters level are addressing and searching for ways in which to make the labour market more flexible. Unfortunately, knowledge of the potential for and benefits of applying flexible forms of employment is restricted to headquarters level - social partners active at lower levels (trade union and employers' associations, specific companies) continue to take a conservative approach and prefer full-time, non-time limited employment contracts as is evident from the relevant statistics (see above). Notably, it is clear that the preferences of employers and employees with regard to the application of flexible forms of employment differ considerably. Moreover, substantial differences exist in terms of the types of flexible forms of employment employees would like and those under which they actually work and with respect to which there is considerable space for adjustment on an individual basis.

The labour market is expecting major changes as a result of digitalisation (the disappearance of certain professions, new forms of employment, etc.), the exact nature of which, however, cannot currently be predicted. Social partners are aware of this fact and are making real efforts to prepare for the anticipated changes where possible. To date, however, this has tended to concern trade unions and employers at the headquarters level rather than specific companies and local trade union organisations.

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Annexes – case studies

CASE STUDY 1: Sfinx Holešov (NESTLÉ)

Company:

The Sfinx Holešov plant is owned by **NESTLÉ Česko, s. r. o.** The sole owner of NESTLÉ Česko, s. r. o. is **NESTLÉ S. A.** with headquarters in Switzerland. The company is divided into the management section based in Prague and two production plants – Sfinx Holešov and Zora Olomouc (both in the Moravia region). This case study relates only to the Sfinx Holešov plant.

The company has operated in the food industry since the 19th century and the main products manufactured in the Czech Republic consist of chocolate and non-chocolate confectionery, coffee, cocoa and coffee beverages, etc. The Sfinx Holešov plant has 430 employees (of a company total of 2011 in 2015), of which 128 employees are trade union members, i.e. 29.8% of the plant's workforce.

Interviewees:

Ilna Šimečková, HRBP for Slovakia and the Technical division, Market E&T Pillar Leader, NESTLÉ Česko, s. r. o.

Oldřich Tureček, chairman of the basic trade union organisation of the Independent Trade Union of Workers in the Food Industry and Allied Trades of Bohemia and Moravia (Nezávislý odborový svaz pracovníků potravinářského průmyslu a příbuzných oborů Čech a Moravy, **NOS PPP**), which is a member of the Czech-Moravian Confederation of Trade Unions (Českomoravské konfederace odborových svazů, **ČMKOS**).

1) What are the main changes as compared to previous period (since 2012), major trends, innovations if such, legislative framework, etc.)

The global half of total production is sold abroad. Even following the economic crisis (since 2012) the company has not grown as quickly as anticipated by the management; indeed, business growth remains lower than it was prior to the crisis. The biggest decline was recorded in 2009 (a reduction in the level of production of 10–12%) in which year the company was forced to release 20 permanent production workers. In 2011 the company's management introduced a change to the management system known as the Nestlé

Continuous Excellence (NCE) initiative which was introduced by Nestlé's headquarters and applied at all the company's subsidiaries. One part of the initiative consists of the so-called Total Productive Maintenance (TPM) system which exerts a significant influence on both the organisation of the company and its personnel policy. The TPM system required, in particular, changes in the attitude of employees to their work and a greater level of accountability which, according to the company's representative, presented the most difficult challenge. In addition to ongoing management changes, the company is also being negatively affected by the current nationwide shortage of available labour.

2) Despite the differences between the countries, there is a general tendency for reducing the influence of the trade unions. Research is needed to confirm whether this trend will continue in the future and what can be done to strengthen their influence.

The union representative confirmed that union membership is on the decline. While around five years ago the number of unionised employees stood at approximately 150, the present membership is just 128. The membership structure is dominated by older age groups which are gradually retiring and potential new members from the ranks of younger employees appear reluctant to become involved in the trade unions. In other words, trade unions are failing to engage young people – despite NOS PPP organising a campaign aimed at attracting young people to join the trade union, it met with no success at the Sfinx Holešov plant (unlike in the case of other member companies at which, according to the union, the number of members of NOS PPP increased). The reasons young people do not wish to join unions, according to the respondent, are on the one hand the increasing individuality of young people and their reluctance to be “organised” and, secondly, the fact that employees often do not understand the role of trade unions and their contribution in terms of securing benefits for their members through the negotiation of collective agreements.

3) Assessment of the development of employers' organisations – differences between national, industry and company level

The company is a member of the Czech Republic's largest employers' association, the Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy České republiky, **SP ČR**). The respondent at the Holešov plant, however, was unable to provide information on activities associated with membership of the SP ČR since communication with this organisation is conducted by the company's management section based in Prague.

4) The importance and the role of collective bargaining

Both respondents stated that they considered collective bargaining to be important. Indeed, collective bargaining within the company enjoys long-term stability and external factors, including the global economic crisis, have exerted no significant influence on negotiating conditions. The final form of the company collective agreement is influenced particularly by regional differences (the company's headquarters are in Prague, while both plants are in Moravia) and the foreign parent company. Notwithstanding, it has always been possible to find a compromise; the collective agreement is concluded on a regular basis. The company is not covered by a higher-level collective agreement.

5) Characteristics of social dialogue at different levels

Both respondents agreed that social dialogue functions well at NESTLÉ Česko, s. r. o. and that it is supported by the company to the same extent as is the existence of the basic trade union. The employer's representative considered that the existence of trade unions in the workplace is advantageous for both the company and the employees themselves. Several times in the past, good relations between the company's management and the trade unions have proved beneficial – during the organisational changes the company used the trade union representative as an intermediary between the management and employees. The trade union representative was able to explain the necessity for the proposed changes, provide the company with feedback from employees and establish certain limits regarding further negotiations. The result consisted of an agreement between the employer and employees. No strike or strike alert has ever been declared at the company. The trade union representative values the friendly approach of the company's management and the high level of mutual communication.

6) 6. The involvement of social partners in the European Semester

Social partners at the company level are not generally involved in the European Semester and, furthermore, have no detailed information concerning its activities. With respect to the European Semester individual companies are represented by the respective trade union and employers' associations, i.e. with concern to NESTLÉ Česko, s. r. o., SP ČR and ČMKOS.

7) Social dialogue and political decisions for reforming the pension system, healthcare and education

Social partners at the company level are generally not involved in the debate on such issues. The above fields are covered by the trade union and employers' associations, i.e. with concern to NESTLÉ Česko, s. r. o., SP ČR and ČMKOS. Both organisations are routinely asked to provide comments on upcoming legislation in the Czech Republic.

8) Impact of youth unemployment, labour migration in EU, emigration/immigration and hidden economy. What is the attitude of trade unions, government and employers vis-à-vis these phenomena?

As previously intimated, social partners at the Sfinx Holešov plant were able to provide opinions only on what directly affects their company with respect to which, currently, the most pressing issue is that of the very low rate of unemployment in the Czech Republic. The company has a labour shortage problem despite offering wages and social benefits which are above standard for the region. As far as the second plant, NESTLÉ Česko, s. r. o., Zora Olomouc, is concerned, employment vacancies are often taken up by foreign workers (especially Ukrainians). However, the Sfinx Holešov plant is reluctant to follow this path since the organisational changes recently introduced (the NCE and TPM initiatives) place high demands on the company's workers, including with respect to the ability to speak good Czech.

9) Social dialogue and competitiveness at national and enterprise level

Again, social partners at the Sfinx Holešov plant provided opinions only on what directly affects their company. According to the employer's representative, communication with employees is more effective due to the presence of the trade unions and, thus, it is possible to discuss a range of measures before they are finally adopted. This approach minimises any potential conflict between the employer and employees and also enables seamless implementation. The high level of cooperation proved particularly useful during the

introduction of extensive organisational changes in recent years (the NCE and TPM initiatives). In addition, the trade union organisation represents

a source of information on employee opinions, which is then provided as feedback to the company's management.

CASE STUDY 2: OHL ŽS, a. s.

Company:

OHL ŽS, a. s. is a construction company specialising in railway, road and motorway construction, water management and ecological facility construction, civil engineering and power engineering construction, and surface and underground engineering projects. OHL ŽS, a.s. provides construction, reconstruction and modernisation services both in the Czech Republic and abroad (Bulgaria, Montenegro, Croatia, Bosnia and Herzegovina, Poland, Hungary, etc.). OHL ŽS, a.s. is a joint stock company and successor to the state enterprise Železniční stavitelství Brno, which was established in 1952. The major Spanish construction group, OHL (*Obrascón Huarte Lain, S.A.*) has been the majority owner of the company since 2006.⁵¹ The company has 1,307 employees (as of October 2016), of which 499 are trade union members, i.e. 38.18 %. Almost 80 % of the trade union members are men and the average age of all trade union members is 46.8 years. Five trade union organisations are active within the company (according to the various sectors in which the company operates).

Interviewees:

Jan Rupp, HR manager at OHL ŽS, a.s.

Oldřich Sobol, Chairman of the Committee of the Trade Union of Railway Workers (Odborové sdružení železničářů, **OSŽ**) at OHL ŽS, a. s. and member of the Supervisory Board of OHL ŽS, a.s.

1) What are the main changes as compared to the previous period (since 2012), major trends, innovations if such, legislative framework, etc.)

The global crisis (2009–2012) adversely affected the company and, unfortunately, the company has not yet fully recovered from the effects of the crisis. Indeed, during the crisis OHL ŽS, a.s. even worked on contracts that were unprofitable and the consequent losses have yet to be made up. Moreover, the company is dependent on public procurement contracts (the main investors in the Czech transport infrastructure consist of the State and state-owned companies), the number of which, however, is declining especially with re-

spect to the ongoing modernisation of the country's major railway corridors. Adverse economic results in 2016 led to the management of the parent company Obrascón Huarte Lain, S.A. to implement far-reaching changes in the management of the company in the Czech Republic. As a result of management changes and newly-introduced cost-cutting measures, there was a marked deterioration in relations between the management and the trade unions. In addition, the positive situation in the Czech labour market is draining the company of the necessary skilled craftsmen – the company is planning layoffs, which has led to a part of the workforce already leaving the company, but not according to the structural requirements of the management. The economic situation in the company is not favourable and, currently, the company does not see any feasible solutions to its problems.

2) Despite the differences between the countries, there is a general tendency for reducing the influence of the trade unions. Research is needed to confirm whether this trend will continue in the future and what can be done to strengthen their influence.

The number of workers at OHL ŽS, a.s. who are trade union members is decreasing and, thus, so is the influence of the trade unions in the company. The membership base decreased in the period 2012 to 2016 by around 78 people, mostly due to the retirement of older trade union members. The reasons they are unable to recruit new members, according to the trade union respondent, consist of the poor economic situation of the company, the general distrust of trade unions and the so-called "free rider" - employee – non-member phenomena, according to which workers benefit from the terms of the collective agreement without having to expend effort on the negotiation thereof. According to the trade union representative, the unions are trying to promote membership in the workplace - new employees are informed by the management of the existence of trade unions and are provided with contacts to the trade unions, etc. The basic organisation of the Trade Union of Railway Workers even had a film clip produced which summarises the benefits of union membership; nevertheless, the number of members is not increasing. The company, however,

51) For details of the ownership structure, see the 2015 Annual Report, p. 10, available at: http://www.ohlzs.cz/fileadmin/user_upload/informace/vyrocní_zpravy/Vyrocní_zprava_OHL_ZS_2015_web.pdf

believes that the trade unions are still not active enough in terms of recruiting members, that they lack a recruitment marketing concept, do not take advantage of the presentation options offered by the company magazine, etc.

- 3) Assessment of the development of employers' organisations – differences between national, industry and company level

The company is a member of the Association of Building Entrepreneurs of the Czech Republic (Svaz podnikatelů ve stavebnictví, **SPS**) which, in turn, is a member of the Confederation of Employers' and Entrepreneurs' Unions of the Czech Republic (Konfederace zaměstnavatelských a podnikatelských svazů České republiky, **KZPS**). The respondent, however, was unable to provide information on activities associated with membership of the SPS since he personally is not involved in communication with this organisation.

- 4) The importance and the role of collective bargaining

Both of the collective bargaining parties consider it important that the collective agreement is concluded on a regular basis, usually for five years or even indefinitely (with regular amendments referring to wage increases and the notice period of 6 months). According to the employer, up to 2015 the company's management was very accommodating in its approach to the trade unions; however, management changes and the deteriorating economic situation in the company led to a worsening in relations between the employer and the trade unions and an increase in points of disagreement, and the number of benefits is likely to be decreased in the next round of collective bargaining. The last two collective bargaining sessions lasted longer than usual. While with respect to collective bargaining, the emphasis mainly concerns wages; the trade unions believe that wages are currently undervalued. The collective agreement also provides for employee meal allowances, health care, social assistance, contributions to personal pension schemes, employee recreation, cultural and sports activities, the development of education and training, etc. The company is not covered by a higher-level collective agreement.

- 5) Characteristics of social dialogue at different levels

The employer and the trade unions report only at the company level. Relations between the employer and the unions at the company level deteriorated sharply over the last year due to management changes and the company's poor economic results. The employer acknowledges

that the presence of trade unions in the company improves the image of the company and that the unions represent a supervisory authority and a source of feedback; on the other hand, as a result of collective bargaining, wages and the level of benefits provision are higher than they would have been if the unions had not been involved. Thus, the presence of the unions at OHL ŽS incurs costs for the company.

- 6) The involvement of social partners in the European Semester

Social partners at the company level are not generally involved in the European Semester and, furthermore, have no detailed information concerning its activities.

- 7) Social dialogue and political decisions for reforming the pension system, healthcare and education

Social partners at the company level are generally not involved in the debate on such issues. The above fields are covered by the trade union and employers' associations, i.e. with concern to OHL ŽS, a. s., KZPS ČR and Association of Independent Trade Unions of the Czech Republic (Asociace samostatných odborů České republiky, **ASO ČR**) – OSŽ is a member of ASO ČR. Both organisations are routinely asked to provide comments on upcoming legislation in the Czech Republic.

- 8) Impact of youth unemployment, labour migration in EU, emigration/immigration and hidden economy. What is the attitude of trade unions, government and employers vis-à-vis these phenomena?

The employer complained about the current economic environment. The company is dependent on public procurement contracts, with respect to which the price quoted makes up the sole decision-making criterion. Thus, especially during the economic crisis, companies were forced to enter prices that did not cover their costs, which adversely affected OHL ŽS to such an extent that it is still trying to make up the economic losses incurred at that time. Given that the company needs highly-skilled craftsmen, it does not hire employees from third countries or agency employees.

- 9) Social dialogue and competitiveness at national and enterprise level

Again, the social partners at OHL ŽS, a. s. provided opinions only on what directly affects their company. According to the employer, social dialogue in the company has a two-way impact – positive

in the sense that it improves the company's image and may make the company more attractive to potential employees; on the other hand, thanks to the collective agreement containing a higher level

of benefits than the company would offer in the event of no collective agreement being concluded, the presence of the trade unions incurs extra costs for the company.

CASE STUDY 3: ArcelorMittal Ostrava a.s.

Company:

ArcelorMittal Ostrava a.s. is the second largest steelmaker in the Czech Republic and forms part of the world's largest steel and mining group, ArcelorMittal. The sole shareholder of ArcelorMittal Ostrava a.s. is ArcelorMittal Holdings A.G. with headquarters in Luxembourg. The detailed ownership structure can be found on the **website of the company**.

The company is located in Ostrava (Moravian-Silesian region), where the production of steel products commenced in the first half of the 19th century. The company has 4,551 employees (as of April 2017), of which 60% are members of trade unions. Currently, 10 trade unions are active within the company. The company has four subsidiary companies (see the **ownership structure**); however, this case study applies only to ArcelorMittal Ostrava a.s.

Interviewees:

Andrea Ševěčková, Cluster Transversal HR, Head of the HR Service Centre of ArcelorMittal Ostrava a.s.

Roman Bečica, chairman of the OS KOVO Steel Plant Trade Union (the trade union is a member of the Czech Metalworkers' Federation, **OS KOVO**), which is a member of the largest trade union confederation in the Czech Republic, the **Czech-Moravian confederation of trade unions** (Českomoravská konfederace odborových svazů, ČMKOS); he is also a member of the Supervisory Board of ArcelorMittal Ostrava a.s. and member of the European Works Council of ArcelorMittal

- 1) What are the main changes as compared to previous period (since 2012), major trends, innovations if such, legislative framework, etc.)

ArcelorMittal Ostrava a.s. was hit by the first wave of the global economic crisis, i.e. as early as in 2008. The company has not yet managed to return to the level of production and sales it achieved before the economic crisis, and the economic recovery, that commenced in the Czech economy in 2014, was not strongly reflected in terms of the performance of the company; more-

over, company representatives are not particularly optimistic about the company's future prospects. The steel industry is a specific industry that has recently been seriously threatened by competition from China as well as EU environmental policy, in particular the proposed reform of the EU emissions trading scheme for 2021–2030; according to company representatives, if the Commission's proposal were to be implemented, it would probably mark the end of the steel industry in Ostrava. In addition, the unstable business environment in the sector (compared to the "pre-crisis" period prior to 2008) makes up one of the reasons for the parent company not investing in new production facilities in Ostrava which would increase the company's productivity – production technology is very costly and, moreover, production cannot be stopped immediately. Hence, the company is losing its competitiveness in the market in general, as well as within the ArcelorMittal group.

Faced with an unstable business environment, ArcelorMittal Ostrava a.s. has learned to work with, and managed to adapt to, changing market conditions. One of the most important elements in this process, according to company representatives, consists of communication with employees, who must be prepared sufficiently in advance for the various changes and the overall flexibility required. In this respect, the company's management highly appreciates the work of the trade unions which, on the whole, effectively assist in convincing employees of the necessity of certain developments.

A further important factor influencing the activities of ArcelorMittal Ostrava a.s. consists of a lack of workforce with respect to technical professions. Even though the company offers above-average wages in terms of both regional and national wage levels, it has, over the long term, been unable to fill a number of vacant technical positions. The main reasons consist, on the one hand, of the current high demand for labour (due to the economic recovery) and, on the other, the inadequate education system that fails to sufficiently support the education of technical subjects.

- 2) Despite the differences between the countries, there is a general tendency for reducing

the influence of the trade unions. Research is needed to confirm whether this trend will continue in the future and what can be done to strengthen their influence.

ArcelorMittal Ostrava a.s. has not experienced a decrease in the number of trade union members despite the general trend in the Czech Republic and in Europe as a whole. Trade unions have a long tradition in the company, and trade union membership has hovered at around 60% over the long term. Despite the natural decline in the number of members due to retirement, the trade unions at ArcelorMittal are thriving due to the recruitment of members from new (young) personnel.

3) Assessment of the development of employers' organisations – differences between national, industry and company level

The company is a member of the **Steel Federation** (odvětvový svaz Hutnictví železa, a. s., **HZ**) and the **Transport Union of the Czech Republic** (Svaz dopravy České republiky, **SD**). Both these organisations are also members of the Czech Republic's largest employers' association, the **Confederation of Industry of the Czech Republic** (Svaz průmyslu a dopravy České republiky, **SP ČR**). The company places a high value on its membership of sectoral employers' organisations, since it is only through such organisations that it is able to present and promote its opinions on economic policy issues (currently, the main area of interest concerns environmental policy, see above). Representatives of the company's management participate in meetings of the regional tripartite (the Council of Economic and Social Agreement of the Moravian-Silesian Region, Rada hospodářské a sociální dohody Moravskoslezského kraje).

4) The importance and the role of collective bargaining

Collective bargaining makes up an important part of corporate social dialogue. A company collective agreement is concluded on a regular basis; higher-level collective bargaining (sectoral collective agreement) is not conducted. The company management takes a relatively generous approach to its employees, the average wage and the benefits provided are above average for the region. The company conducts surveys of working conditions, which consistently show that employees are satisfied with their work and are loyal to the employer. Both sides appreciate the level of cooperation; although, naturally, it is not possible that they meet each other's requirements in full, agreement is always reached. Paradoxically, social dialogue in the company does not complicate relations between the employer and employees, but rather relations between individual trade unions. Currently, 10 trade union organisations are active within the company (all of which are members of the Czech Metalworkers' Federation, **OS KOVO**) and their preferences and approaches to certain issues often differ significantly, as shown, for ex-

ample, with respect to employee benefits, where the conservative trade unions insist on traditional forms of employee benefits, while more progressive trade unions are not opposed to new and modern forms of benefits that the employer feels would attract more young and talented persons to the company.

Having a large number of trade union organisations active in the company also complicates collective bargaining – whereas the respective parties have always managed to conclude a collective agreement eventually, negotiations are becoming more and more difficult.

5) Characteristics of social dialogue at different levels

Representatives of both the management and trade unions participate in social dialogue both at the company and regional levels (through the Council of Economic and Social Agreement of the Moravian-Silesian Region, Rada hospodářské a sociální dohody Moravskoslezského kraje) and at the national level (through membership of the SP ČR and ČMKOS).

At the company level, the quality of social dialogue is appreciated by both parties, although it is complicated by the relatively large number of trade union organisations active within the company (see above).

6) The involvement of social partners in the European Semester

Social partners at the company level are not generally involved in the European Semester and, furthermore, have no detailed information concerning its activities. With respect to the European Semester, individual companies are represented by the respective trade union and employers' associations, ČMKOS (OS KOVO) and SP ČR respectively.

7) Social dialogue and political decisions for reforming the pension system, healthcare and education

Social partners at the company level are generally not involved in the debate on such issues. The above-mentioned fields are covered by the trade union and employers' associations, i.e. with concern to ArcelorMittal Ostrava a. s., ČMKOS and SP ČR respectively. Both organisations are routinely asked to provide comments on upcoming legislation in the Czech Republic.

8) Impact of youth unemployment, labour migration in EU, emigration/immigration and

hidden economy. What is the attitude of trade unions, government and employers vis-à-vis these phenomena?

Due to the lack of workforce, especially with concern to technical and manual professions, the company has attempted to attract particularly citizens of Ukraine. However, as a result of demanding administrative procedures and integration problems, this strategy was not very successful.

9) Social dialogue and competitiveness at national and enterprise level

According to the company's management, the issue of competitiveness is not relevant. Social dialogue has a long-standing tradition in the company and, as with other companies in the ArcelorMittal group, the employer devotes particular attention to this issue. The management of the company values social dialogue irrespective of competitiveness.