

# **The role of the social dialogue in reducing inequalities in the Czech labour market**

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## Introduction

**The social dialogue** may be one of the tools to **mitigate the effects of society polarisation**. Union membership is a positive manifestation of the civic engagement of employees. **Trade unions** are an essential **part of the Czech labour market** and their activities **benefit not only their members, but other people as well**. In companies where corporate collective bargaining takes place, the results of the negotiations are also applicable to the employees who are not members of the trade union. Moreover, thanks to higher-degree collective agreements, the collective bargaining outcomes can always be extended to the whole industry.

In the recent decades, the **role of the social dialogue has begun to change**. Numerous transformations are related to the social and economic changes that have occurred – and will continue to emerge globally. Trade unions in many countries face **a decline in the membership base**, but this is not necessarily associated with a decline in their power or a loss of position in tripartite negotiations. In the Czech Republic, social changes play a major role. Their emergence was slower compared to Western developed countries, but the process was accelerated by the **transformation of the Czech economy** into a market economy. In recent years, there have been other changes which are closely related to the advancing digitisation and automation of the economy and society. **Digitisation** brings many advantages as well as some disadvantages. The problematic aspects should be the focus of the social dialogue in order to continue to perform its function and mission in a new era.

**The aim of this study** is therefore to describe **the role of the social dialogue in reducing inequalities in the Czech labour market** and to identify the areas in which the social dialogue plays an irreplaceable role. The study will also propose new forms of activation and other measures to contribute to the results of collective bargaining also in times of digitisation and automation, in order to improve the situation of the whole population of the Czech Republic both in terms of levelling labour market conditions as well as from the perspective of civil society functioning in the Czech Republic.

The structure of the study will be as follows:

**The first chapter** will describe the main data sources used in the study.

**The second chapter** will be devoted to the position of the social dialogue, and consequently also trade unions in the Czech Republic. Coverage by collective agreements will be monitored both from the point of view of employees as well as economic entities. The results in terms of coverage by collective agreements will also be monitored in the international context.

**The third chapter** will focus on the influence of the social dialogue on the working conditions of employees in the Czech Republic. The main objective of the chapter will be to identify the areas in which employees are better positioned due to coverage by collective agreements

compared to their colleagues without the protection of a collective agreement. Attention will be paid to both working hours and remuneration issues. As for the working time, the position of employees will be evaluated both in terms of total paid time and in terms of overtime work or the extent of leave. When it comes to remuneration, not only the amount of earnings characteristic of the group of employees will be analysed, but also the threats to low-earning employees. In all parts, the status of employees according to the existence of a collective agreement will be monitored, as well as regarding gender, performed occupation or particular industry.

**The fourth chapter** will focus on identifying new forms of activation and propose some measures to allow the sustainability of good positions for employees covered by collective agreements and hopefully will also contribute to improvement of the situation for all the inhabitants of the Czech Republic.

In the **conclusion**, the main findings of the study will be summarised.



## 1 Data resources and methodology

For assessment of the role of the social dialogue in reducing inequalities in the Czech labour market, three main data sources will be used – structural wage statistics in the form of the Information System on Average Earnings, results of the project "Assessment of the impact of the minimum wages on the socio-economic development in the Czech Republic" and a database of collective bargaining results in the Czech Republic in the form of information on working conditions. Each of these data resources is described in a separate subchapter.

### 1.1 Structure of employees and wages

Data from the **Information System on Average Earnings (ISAE)** will be used to analyse the employee structure, remuneration levels and the extent of working time. The results of the ISAE survey (**structural statistics**) aim to provide the most detailed information on the **wages of individual employees** and the time worked in the classification according to the personal characteristics of employees (e.g. age, gender, educational attainment, occupation according to CZ-ISCO classification) and the employer characteristics (e.g. the field of their economic activity according to the CZ-NACE classification, the size of the economic entity, the seat of the entity). The main indicators under consideration are gross monthly wages (a salary) and hourly wages in terms of levels of earnings. In addition to differentiating gross monthly wages (a salary), the components of wages (a salary), i.e. bonuses, surcharges and compensations are identified. As for working hours, the level and structure of worked (e.g. overtime) and unworked hours (e.g. illness and leave) are monitored.

ISAE contains data from a regular statistical survey, which is included in the programme of statistical surveys announced by the Czech Statistical Office in the collection of laws for the particular calendar year under the title The Quarterly Survey on Average Earnings. The Quarterly Survey on Average Earnings is **harmonised with the European Union structural survey** under the title *The Structure of Earnings Survey* (see Commission Regulation (EC) No 1916/2000 as amended).

The results of the ISAE survey are divided by the given sectors. In the ISAE, economic entities which **remunerate with wages** under § 109 para. 2 of Act No. 262/2006 Coll., the Labour Code, as amended, are classified in the **wage sector**. Economic entities which belong to the **salary sector, remunerate with a salary** under § 109 para. 3 of Act No. 262/2006 Coll., the Labour Code, as amended.

A detailed description of the ISAE and the results are published on the [www.ispv.cz](http://www.ispv.cz) website.

## 1.2 Low-earning employees

Specific data on low-earning employees, low-earning employee structure, development of wage inequality and turnover are provided by the certified methodology "Assessment of the impact of the minimum wage on socioeconomic development of the Czech Republic" supported by the Technology Agency of the Czech Republic under the programme of applied social research and experimental development OMEGA ([http://www.mpsv.cz/files/clanky/17709/vliv\\_minimalni\\_mzdy.pdf](http://www.mpsv.cz/files/clanky/17709/vliv_minimalni_mzdy.pdf)).

The objective of the methodology is to support decision-making to raise the minimum wage based on an objective assessment of relevant indicators, while considering the current international experience. The methodology is based primarily on an **analysis of the number and structure of employees approaching the minimum wage** in a classification according to the characteristics of both the employee and the employer and an assessment of the impact of the change in the minimum wage on the basis of structural earnings statistics. The methodology further defines an **algorithm for identifying employees remunerated at the minimum wage level**. The proposed estimate is consistent with the calculation methods used in the payroll statistics of the Czech Statistical Office. A credible estimate of the number of employees at the minimum wage level and employees affected by the change in the minimum wage legislation allows to estimate wage costs of employers to increase the minimum wage and subsequent estimates of total costs and revenues as a result of changes in the minimum wage. The findings relating to the number of employees remunerated by the minimum wage or low earnings are based on this methodology and are fully in line with the definitions approved by the certification body.

## 1.3 The results of collective bargaining

Information on collective bargaining in the Czech Republic is based on the findings of a survey performed under the title **Information on Working Conditions (IWC)**. Under coordination of the Ministry of Labour and Social Affairs (MLSA), it has been regularly mapping and analysing collective bargaining in the Czech Republic since 1993 (formerly known as the Information System on Working Conditions). The aim of the survey is to provide the state and other institutions with an overview of the trends of collective bargaining and contracting partners with adequate information for further corporate-level negotiations or in the negotiation of higher-level collective agreements.

The survey focuses on the arrangements of the social partners in the field of:

- employee remuneration,
- cooperation between the contracting parties,
- working time and extended leave,

- changes in type of employment,
- employment,
- provision of benefits,
- working conditions of employees,
- hindrances at work,
- professional development of employees,
- equal treatment, and
- occupational health and safety protection.

The survey **monitors collective agreements at a corporate level as well as higher-degree collective agreements**. The findings of the corporate collective agreement survey are divided primarily according to the belonging of the surveyed economic entity to a business or non-business sector. Economic entities which remunerate with wages under § 109 para. 2 of Act No. 262/2006 Coll., the Labour Code, belong to the business sector, whereas organizations which reward with a salary pursuant to § 109 para. 3 of Act No. 262/2006 Coll., the Labour Code, as amended, are ranked into the non-business sector. Input data are obtained electronically through the EKS acquisition programme or by direct collection of collective agreements.

The findings of the survey are available on the Ministry of Labour and Social Affairs website ([www.mpsv.cz](http://www.mpsv.cz)) in the *Income and Standard of Living* section or on the [www.kolektivnismlouvvy.cz](http://www.kolektivnismlouvvy.cz) website.

## 2 Collective bargaining in the Czech Republic

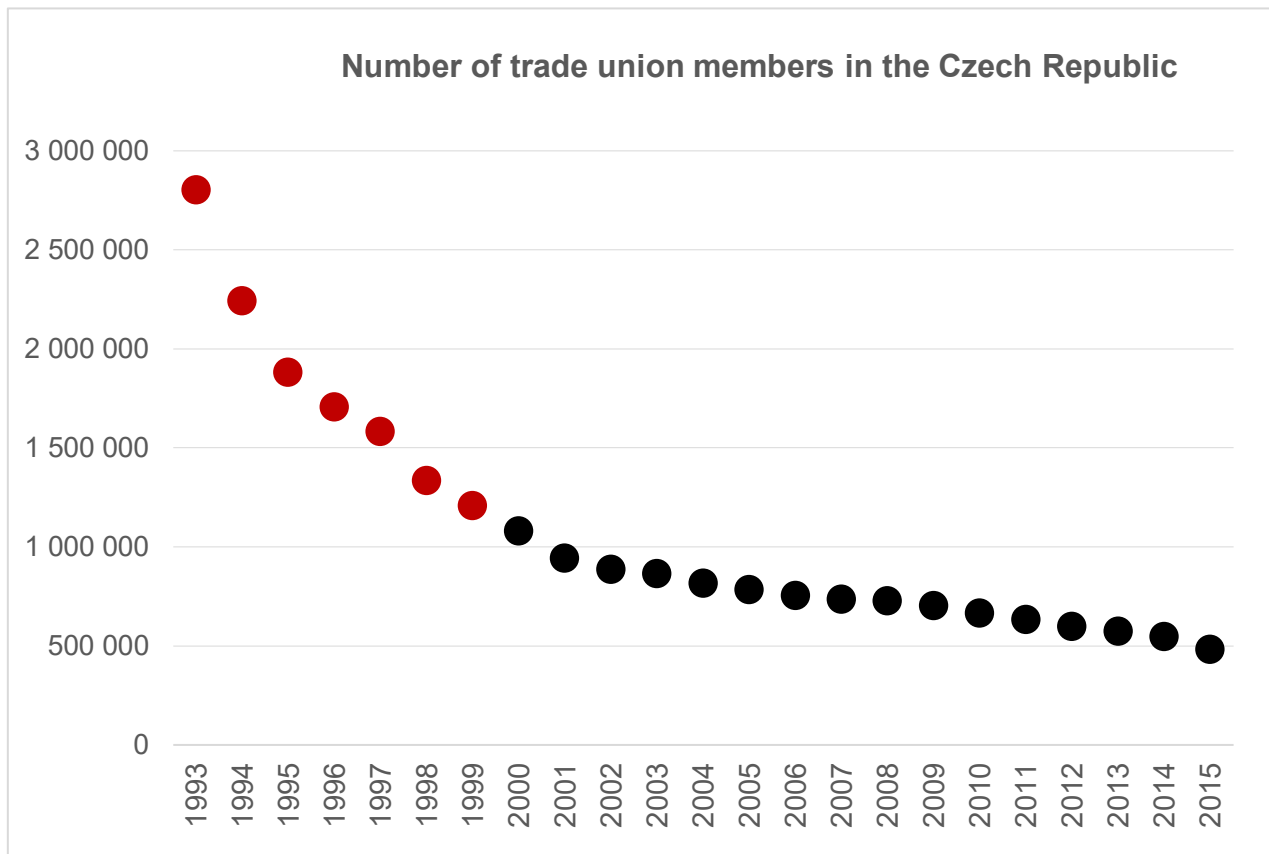
The social dialogue is one of the tools enabling to alleviate labour market inequalities. The results of collective bargaining are also applicable at the corporate level for employees who are not trade union members. Similarly, thanks to collective agreements of a higher degree, the outcomes of collective bargaining are extended to the whole particular field. Although the results of collective bargaining relate to a large proportion of employees, only a small fraction of them actively participate in collective bargaining itself. Thus, **a stable trade union membership base is one of the prerequisites for the stability of the social dialogue**, even with regard to mitigating the effects of polarisation in the Czech labour market. This chapter will therefore be devoted to the union engagement of Czech employees and developments in this area. The first part will focus on trade union membership, with great attention paid to the situation not only in the Czech Republic, but also in the international context. The second part will describe the coverage of the Czech labour market by collective agreements, while assessing the coverage both from the point of view of economic entities as well as employees.

### 2.1 Trade union membership

**In the early 1990s, the Czech society** – similarly to the whole Czech economy – underwent **significant changes**. The transformation of the society and economy has been necessarily evident in the area of collective bargaining and in the attitudes of the Czech citizens, and therefore also Czech employees, towards the social dialogue. The transformation also brought a change in the approach of Czech employees to trade union engagement or active participation in collective bargaining. From Picture 1 it is clear that, in the early 1990's, 2.8m employees were members of trade unions, whereas in recent years, the number of trade union members in the Czech Republic is only in hundreds of thousands.

Picture 2 offers an alternative view, which captures the development of union engagement of Czech employees. It shows that in 1993, almost every employee was a trade union member. However, the **employee union engagement declined rapidly**, and in 1995 only every second employee was a member of a trade union. Ten years later, i.e. in 2005, only every fifth employee was a union member. The decline in trade union engagement continued and in 2015, the union engagement of Czech employees approached **the 10% threshold** (i.e. only every tenth employee in the Czech Republic is a trade union member).

Picture1: Number of trade union members in the Czech Republic between 1993 and 2015



Source: OECD. The data are valid as of 19th July 2019.

There are several reasons why there has been such a rapid decline in the number of trade union members and trade union engagement. Among the important factors, in addition to the very course of transformation of the Czech economy in the 1990s, there are also some of the aspects identified in foreign scientific research. Trade union engagement in the Czech Republic is most likely strongly influenced by the following factors:

- **The dominant level in terms of collective bargaining.** Negotiations at higher levels are linked to increased trade union engagement<sup>1</sup>, and at the same time, trade unions are not under pressure due to a rapid decrease in the membership base<sup>2</sup>.

<sup>1</sup> ILO (2017). Trends in collective bargaining coverage: Stability, erosion or decline? *ILO Issue Brief*, 2017, No. 1. Available [here](#).

<sup>2</sup> Blanchflower, D.G. and Freeman, R. B. (1992). Unionism in the United States and Other Advanced OECD Countries. *Industrial Relations*, 1992, Vol. 31, No. 1, p. 56-79.

- **Development of the population** which can form the membership base. In this respect, demographic developments play a key role, with trade unions having to deal with the conflict between the interests of the younger and older generations. These interests are often contradictory and discourage the younger generation in terms of union engagement<sup>3</sup>. Unemployment also plays a major role. High unemployment, which has also been linked to the period of transformation, can lead to a reduction in the number of employees who can become union members. Potential members of trade unions are further demotivated by the enhanced position of employers during the adverse development of unemployment<sup>4</sup>.
- **Adverse economic developments.** The economic crisis can accelerate the decline in the number of union members in countries where collective bargaining does not have proper legislative support and is not considered one of the tools for solving problems in the labour market<sup>5</sup>.
- **A change in the economy structure**, which has mainly manifested itself in the transformed economy by:
  - o a change in the sectoral composition of the economy, with a diversion from traditional sectors towards services,
  - o an increased emphasis on business activities and a growing number of entrepreneurs-employers,
  - o a higher number of economic entities with a low number of employees (mainly micro-entities).

All these structural changes took place in a very unrestrained way in the transformative economies and contributed to the reduction in potential membership bases (e.g. an inclination towards business activities) and in the interest in trade union engagement (e.g. by changing the sectoral structure of the economy, thus shifting attention from manual to mental workers).

In recent years, the changes in the structure of the economy described above have been further exacerbated by new trends in the labour market, which are closely related to **digitisation and automation of the economy**. Changes in the labour market are happening very quickly and it is often difficult to embed them in legislation. The advantages and disadvantages associated with a higher level of digitisation –

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<sup>3</sup> Boeri, T., Brugiavini, A., Calmfors, L. (2001). *The Role of Unions in the Twenty-first Century: A Report for the Fondazione Rodolfo De Benedetti*. New York: Oxford University Press.

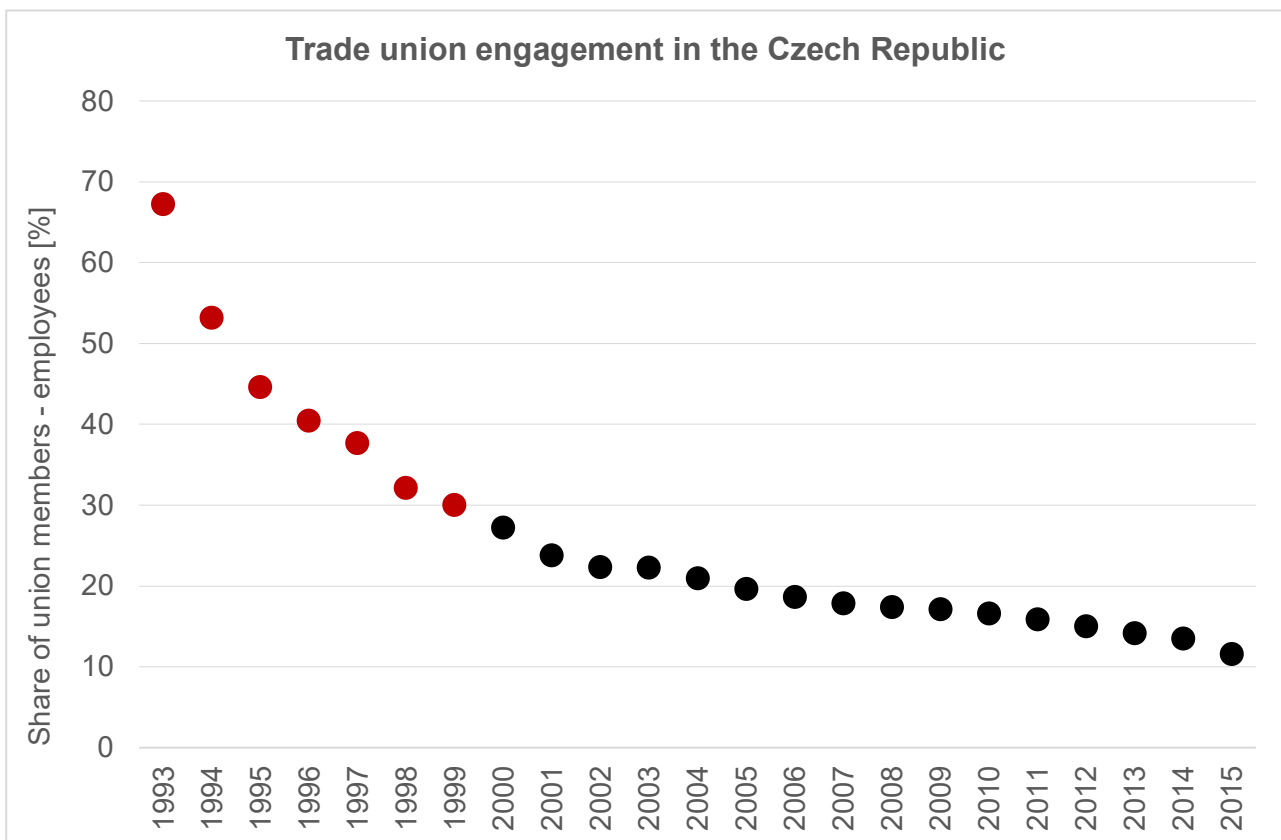
<sup>4</sup> Kroupa, A., Hála, J., Vašková, R., Mansfeldová, Z., Šimoník, P. (2004). *Odbory, zaměstnavatelé, sociální partneři - odborová organizovanost v ČR a hlavní faktory jejího vývoje*. VÚPSV, 2004. Available [here](#).

<sup>5</sup> ILO (2017). Trends in collective bargaining coverage: Stability, erosion or decline? *ILO Issue Brief*, 2017, No. 1. Available [here](#).

and thus also of flexibility – are also reflected in the attitude of employees to collective bargaining, which may not respond to new phenomena at the necessary speed.

Advancing digitisation also supports **individualism** and individual efforts to meet one’s own life goals. Different individual expectations can then be a **fundamental problem from the perspective of trade unions**, which aim to **enforce a single, comprehensive programme**<sup>6</sup>.

Picture 2: Employee union engagement in the Czech Republic in 1993-2015



Note: Trade union density in the Czech Republic is quantified as a proportion of employees – members of trade unions and the total number of employees in the given period.

Source: OECD. The data are valid as of 19th July 2019.

In the Czech Republic, all the above factors have contributed to the fact that the **union engagement** of employees exhibits **similar characteristics as in other developed countries**. Although there has been a dramatic decline in employee union engagement in the last 30 years, the proportion of employees who are union members is at a similar level

<sup>6</sup> See Kroupa et al. (2004).

to those in countries where the social dialogue takes place in an almost identical way (see Picture 3).

The picture below shows that trade union membership in the Czech Republic is at a similar level to other countries of the Visegrad Four (V4). In all V4 countries (i.e. Poland, Hungary, Slovakia and the Czech Republic), trade union engagement fluctuates at around 10%. Thus, employees in the Czech Republic do not exhibit any abnormalities in this regard in their approach to membership of trade unions.

Picture 3 further suggests that there are large differences between countries in terms of employee union engagement. Employees are most frequently union members in Iceland (90% of employees who are also union members), Sweden (67%), Denmark (65%), Finland (65%), Belgium (54%) and Norway (52%). In all these countries, more than half of the employees have joined the trade unions.

Most of these countries (Sweden, Finland, Denmark and Belgium<sup>7</sup>) are among the countries with the so-called **Ghent system**. As part of this arrangement, trade unions have tools at their disposal that implicitly promote high union engagement. In these countries, **trade unions cover a part of the social system** related mainly to the payment of unemployment benefits. Unemployment compensation is often tied to the condition of membership within the system. Thus, decision-making of a particular employee whether to become a union member, or not is based not only on their beliefs, but is also driven economically. However, countries with the Ghent system have also faced a decline in the membership base in the recent years, which is largely caused by both legislative changes<sup>8</sup> as well as societal changes<sup>9</sup>.

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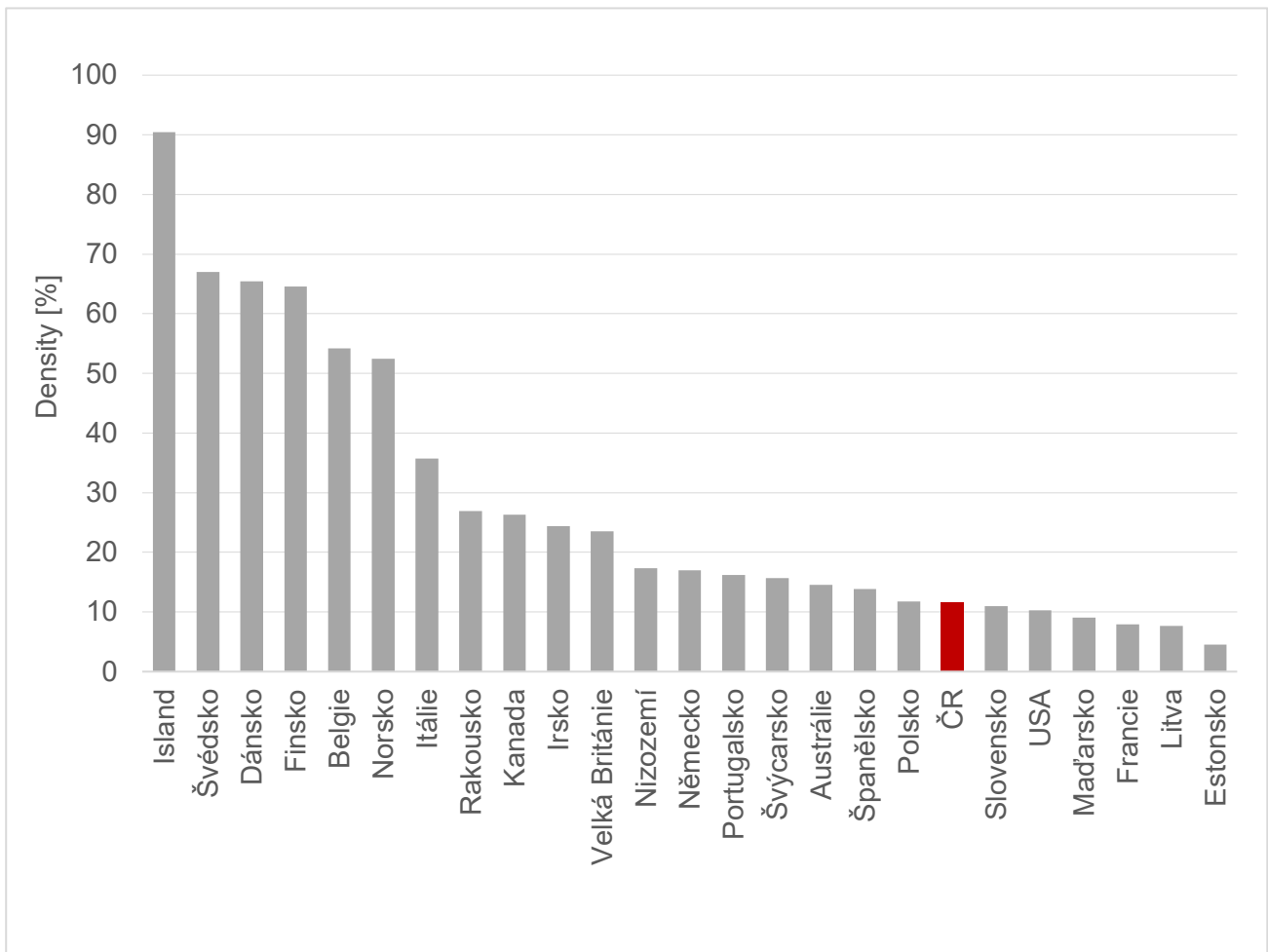
<sup>7</sup> In fact, Belgium meets the characteristics of a country with the Ghent system, see Vandaele, K. (2006). A Report from the Homeland of the Ghent System: The Relationship between Unemployment and Union Membership in Belgium. *Transfer: European Review of Labour and Research*, Vol. 12, No. 4, p. 647–657.

<sup>8</sup> E.g. in Sweden, the system of payments to funds for payment of unemployment benefits changed in 2007. The changes initiated by the new right-wing government resulted in an enormous increase in the amount of contributions paid by individual union members. As a result of these changes, trade union engagement decreased by 7% year-on-year, which is largely attributed to the reduction of the governmental support. For more information, see Kjellberg, A. (2011). The Decline in Swedish Union Density since 2007. *Nordic Journal of Working Life Studies*, Vol. 1, No. 1, p. 67-93. Available [here](#).

<sup>9</sup> Lind, J. (2006). The End of the Ghent System as Trade Union Recruitment Machinery? *Industrial Relations*, 2006, Vol. 40, No. 6, p. 510-523.



Picture 3: Trade union employee engagement in international comparison in 2016



Note: Trade union density is quantified as a proportion of employees who are union members and the total number of employees in the given period. The most recent available data were used for the countries for which the 2016 figure was unavailable. The data for 2014 were used for Poland and France. The data for 2015 were used for the following countries: Sweden, Denmark, Belgium, Norway, Italy, Portugal, Switzerland, Spain, the Czech Republic, Slovakia, Hungary and Estonia. The data for 2016 were used for the following countries: Iceland, Finland, Austria, Canada, Ireland, the UK, the Netherlands, Germany, Australia, the USA and Lithuania.

Source: OECD. The data are valid as of 19th July 2019.

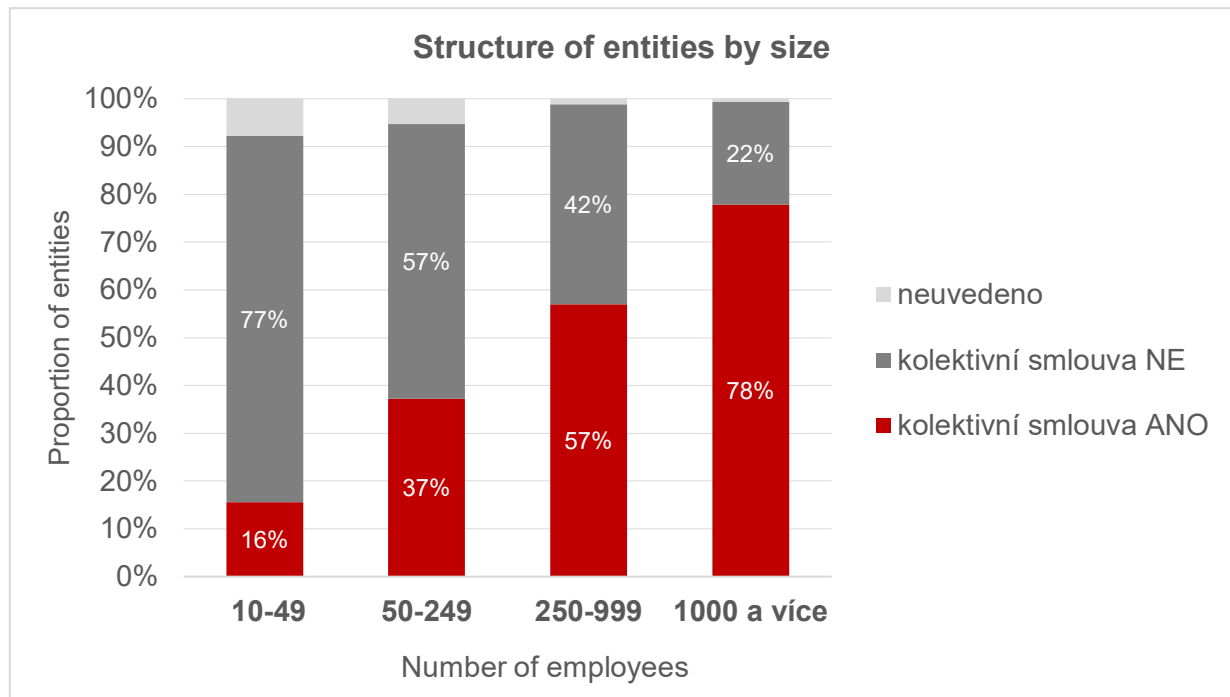
## 2.2 Coverage by collective agreements

The number of trade union members may not be directly proportional to the extent of the impact of collective bargaining on the society. As mentioned above, the **results of collective bargaining** at the corporate level are **applicable to all employees, regardless of their trade union membership**. This is also the case with higher-level collective agreements that are binding for the whole sector. For this reason, the following part will be devoted to the coverage by collective agreements. The first subchapter will focus on the structure of economic entities depending on whether they are bound by compliance with collective agreements (at the corporate or a higher level). The second subchapter will analyse employee coverage, with the main objective to identify groups of employees that are systematically falling out of reach and thus also of union protection.

### 2.2.1 Coverage of economic entities

The existence of a collective agreement is an important safeguard from the perspective of legal labour protection of employees of a specific employer. The effectiveness of a collective agreement (whether at the corporate, or a higher level) is not commonplace for all economic entities. In 2018, **22% of economic entities** with 10 or more employees **were supposed to be governed by a collective agreement**. However, as Picture 4 suggests, there are large differences between the entities.

Picture 4: The existence of a collective agreement in economic entities by size (Czech Republic, 2018)



Note: Economic entities with fewer than 10 employees were excluded from the analyses due to the high proportion of missing data on the existence of a collective agreement.

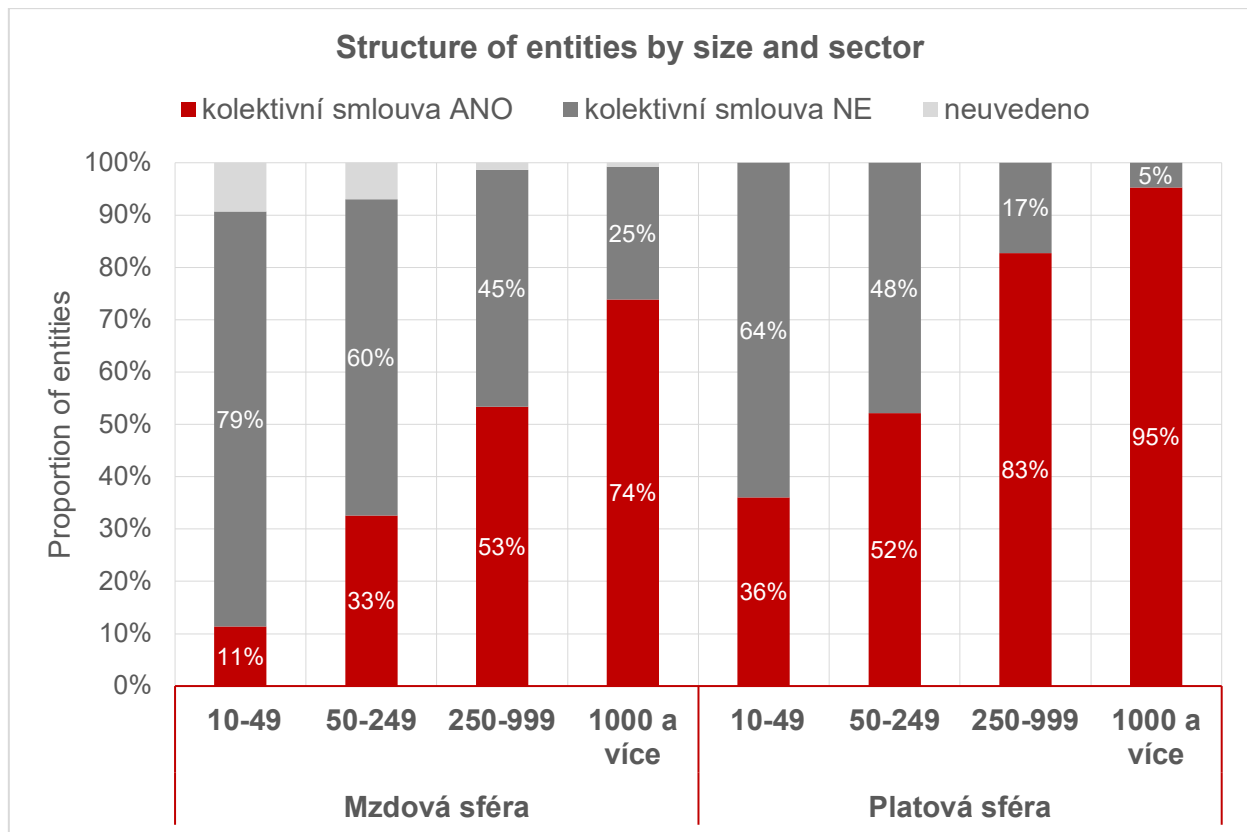
Not given; WITH a collective agreement; NO collective agreement; 1,000 and more

Source: ISAE (MLSA). The data are valid as of 19th July 2019

While in the group of the largest economic entities, most companies must be governed by a collective agreement, this obligation applies only to a sixth of the entities in the group with 10-49 employees. This is largely consistent with the findings of foreign research, which confirm that the **concentration of trade unions grows with the increasing size of an economic entity**<sup>10</sup>. However, coverage by collective agreements is largely influenced not only by the size of economic entities, but also by the affiliation of an economic entity to the wage or salary sector (see Picture 5).

<sup>10</sup> Sherk, J. (2009). What Unions Do: How Labor Unions Affect Jobs and the Economy. *Backgrounder*. The Heritage Foundation, Discussion Paper No. 2275.

Picture 5: The existence of a collective agreement in economic entities by size (Czech Republic, 2018)



Note: Economic entities with fewer than 10 employees were excluded from the analyses due to the high proportion of missing data on the existence of a collective agreement. The wage sector includes any entities that remunerate with wages under § 109 para. 2 of Act No. 262/2006 Coll., the Labour Code, as amended. Economic entities belonging to the salary sector remunerate with a salary under § 109 para. 3 of Act No. 262/2006 Coll., the Labour Code.

WITH a collective agreement; NO collective agreement; Not given; Wage sector/Salary sector; 1,000 and more

Source: ISAE (MLSA). The data are valid as of 19th July 2019

The picture above shows that the **coverage by collective agreements is denser** in the group of economic entities **in the salary sector**, and namely in all size categories. Economic entities that remunerate their employees with a salary in accordance with Act No. 262/2006 Coll., the Labour Code, are thus much more often bound by the provisions of a corporate collective agreement or higher-degree collective agreements.

In addition, economic entities show a different variability in terms of size structure in each sector. The high proportion of the smallest economic entities in some sectors may exacerbate the overall situation of the sector with regard to the coverage by collective agreements, since the smallest entities are least covered by them. As demonstrated in Picture 6, collective agreements **predominantly cover the entities** in the following sectors:

- agriculture, forestry and fishing industry (CZ-NACE, section A),
- mining and quarrying (section B) and
- transport and storing (section H),

that is, **in traditional, better-organised sectors.**

On the contrary, the least covered ones are **fragmented sectors with a high proportion of small economic entities**, such as:

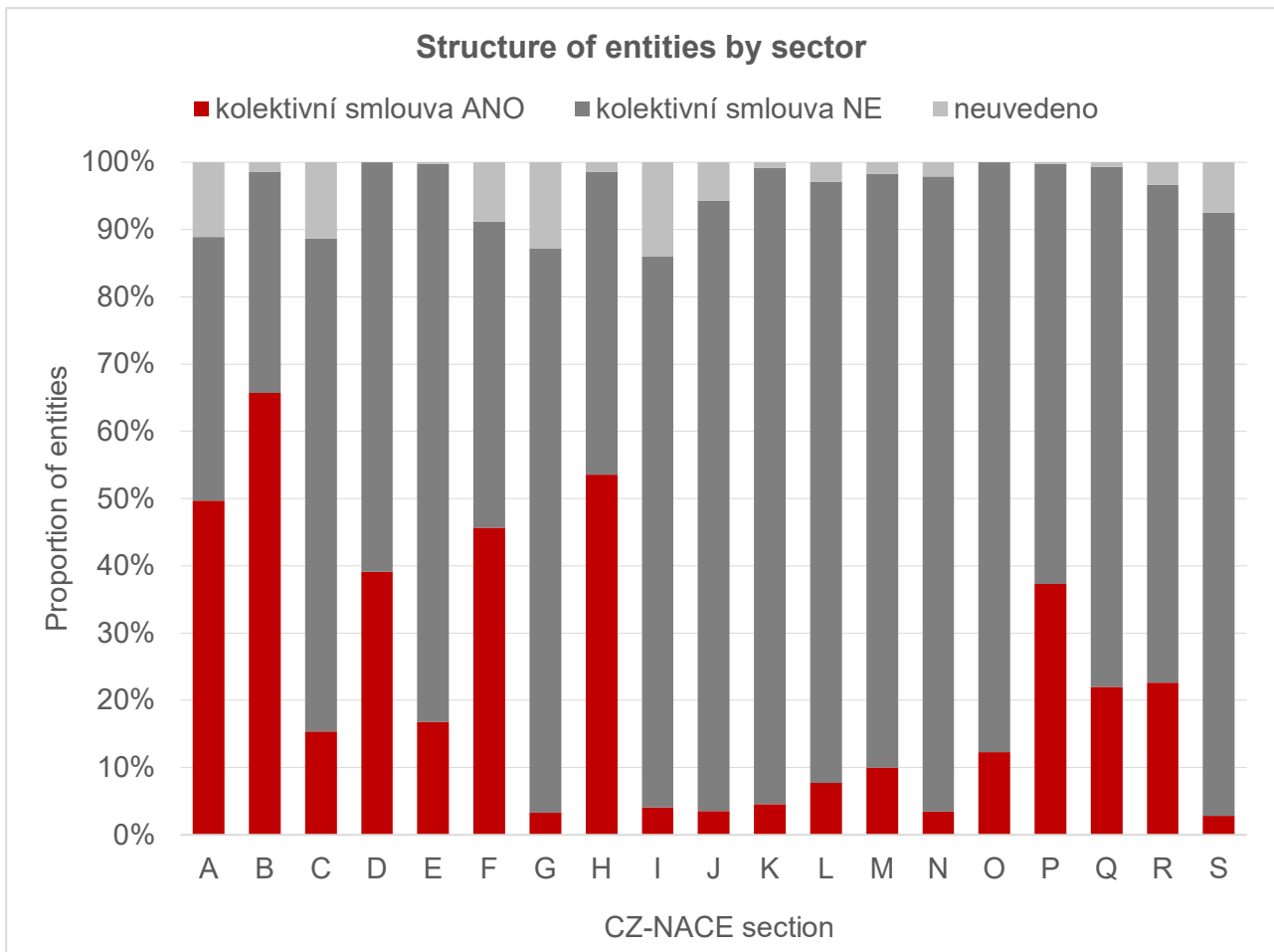
- wholesale and retail, repair and maintenance of motor vehicles (Section G),
- accommodation, catering and hospitality (Section I),
- administrative and support activities (Section N),
- other activities (section S),

or **new, fast-growing sectors**, such as:

- information and communication activities (Section J),
- finance and insurance (Section K) or
- professional, scientific and technical activities (Section M).

Lower coverage of progressive sectors is one of the consequences of changes in the economy structure, which are occur as a result of the increasing digitisation and automation of the economy. These sectors are characterised by a greater number of newly established, smaller economic entities with a lower concentration of trade unions. At the same time, higher-level collective agreements are not signed in these sectors, which is, inter alia, the consequence of a large individualisation of progressive sectors in terms of focus and the work content of such individual entities. Individualism thus manifests itself not only at the level of employees, but also at the level of economic operators.

Picture 6: The existence of a collective agreement in economic operators by sector (Czech Republic, 2018)



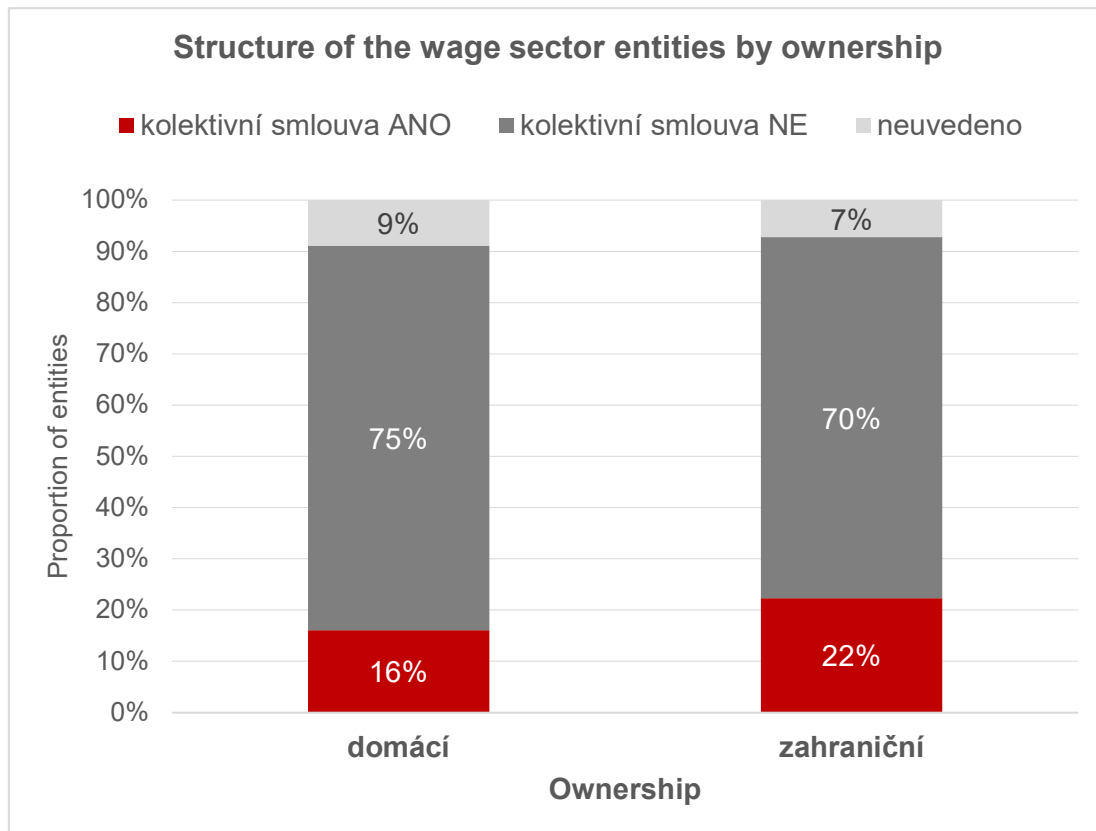
Note: Economic entities with fewer than 10 employees were excluded from the analyses due to the high proportion of missing data on the existence of a collective agreement. The names of each section of the CZ-NACE classification are given in the Table I in the Annex.

With a collective agreement, NO collective agreement; Not given

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

Ownership plays a big role in the wage sector in terms of the functioning of the entities. On average, foreign property entities have more employees, show higher labour productivity or higher profitability. On the other hand, foreign-owned entities are more heterogeneous compared to entities in the Czech property. As shown in Picture 7, there are differences between economic entities in the wage sector in terms of coverage by collective agreements. While **Czech-owned entities** are subject to collective agreement in **16%** of cases, **22% of entities** must be governed by a collective agreement **in the group of foreign entities**, i.e. by 6% more.

Picture 7: The existence of a collective agreement in economic entities by ownership (the wage sector of the Czech Republic, 2018)



Note: Economic entities with fewer than 10 employees were excluded from the analyses due to the high proportion of missing data on the existence of a collective agreement. The wage sector includes entities that remunerate with wages under § 109 para. 2 of Act No. 262/2006 Coll., the Labour Code, as amended.

With a collective agreement, NO collective agreement; not given

Domestic; Foreign

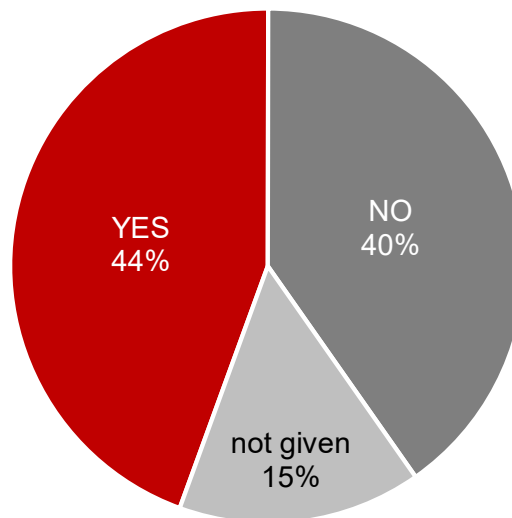
Source: ISAE (MLSA). The data are valid as of 19th July 2019.

## 2.2.2 Employee coverage

In addition to monitoring the proportion of economic entities with a binding compliance with a collective agreement in the achievement of their economic objectives, it is also important to monitor the proportion of employees whose employer must adhere to the arrangements in a corporate collective agreement or in a higher-level collective agreement. Given the heterogeneous structure of economic entities by size (see Picture 4), it is logical that employees will be covered by collective agreements to a much greater extent. In 2018, **44%**

of employees in the Czech Republic were covered by collective agreements (see Picture 8).

*Picture 8: Coverage of employees by collective agreements (the employee structure according to the existence of a collective agreement in the company) (Czech Republic, 2018)*



Source: The Czech Statistical Office (Employee payroll structure). The data are valid as of 19th July 2019.

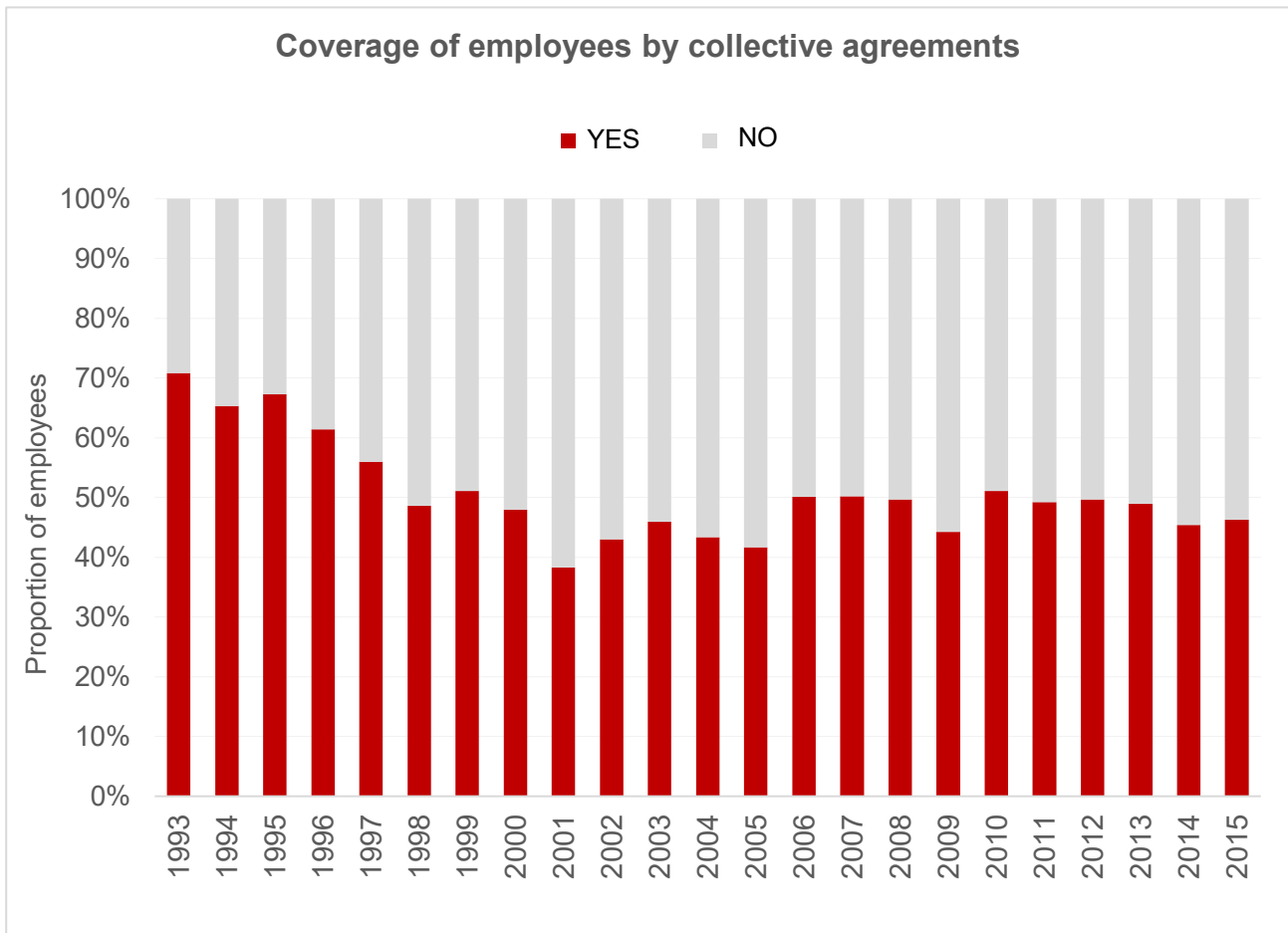
Since the early 1990s, **the coverage by collective agreements** has shown **similar trends to trade union engagement** (see Picture 2). In the early 1990s, nearly three-quarters of employees were covered by collective agreements, but the coverage of the employee population by collective agreements gradually decreased until it reached its lowest level in 2001. That year, only 38% of employees on the Czech labour market were covered by collective agreements. In the 1990s, structural changes related to the transformation of the Czech economy fully manifested. **In the new millennium, the level of employee coverage by collective agreements** gradually **stabilised**, with the share of employees protected by collective bargaining outcomes fluctuating between 40% and 50% (see Picture 9).

There was a decline in the share of employees related to the results of collective bargaining – as well as in trade union engagement – in all **countries of the Visegrad Four**. Similar developments were typical for transitive economies and lasted from the 1990s to the new millennium in all these economies. **In the Czech Republic**, however, coverage by collective agreements has remained **at the highest level** compared to Poland, Slovakia and Hungary. While 40-50% of employees are currently covered by collective agreements in the Czech



Republic, coverage rates for Slovakia and Hungary are between 20% and 30%, and as low as 10% to 20% for Poland.

Picture 9: The coverage of employees by collective agreements in 1993-2015



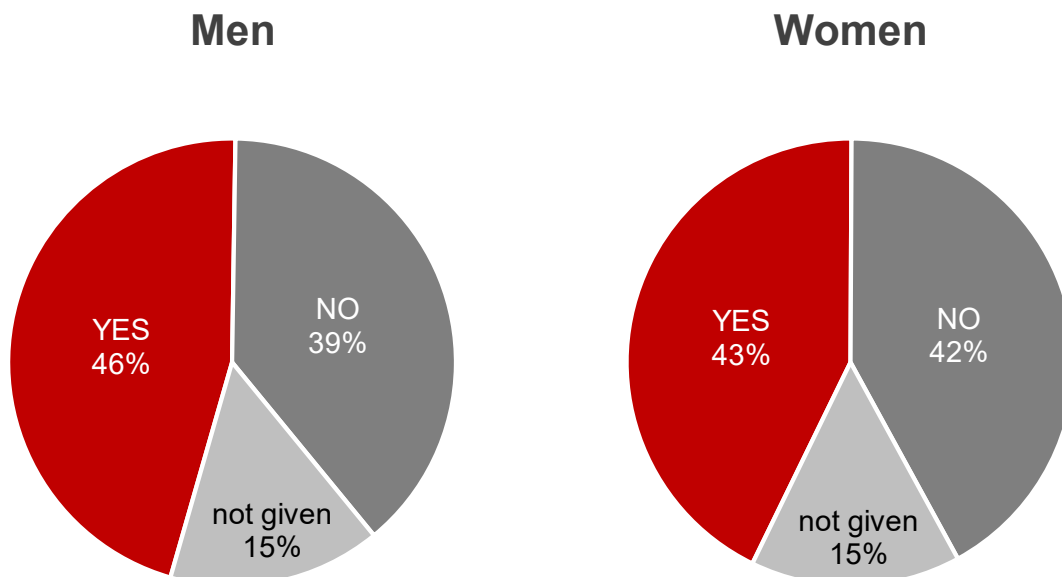
Note: Collective bargaining coverage rate is quantified as the proportion of employees concerned by collective bargaining results and the total number of employees. YES; NO;

Source: OECD. The data are valid as of 19th July 2019.

In the context of collective bargaining, gender issues are often mentioned. Although social dialogue is one of the important tools used to achieve a level playing field in the labour market, **union membership and coverage by collective agreements remain gender**

**unbalanced**<sup>11</sup>. Picture 10 suggests that also in the Czech Republic, men are more often covered by collective agreements (46%) than women (43%). Based on this picture, it can be concluded that **collective bargaining is focused on businesses and sectors that are prevalently masculine** (i.e. with a higher proportion of male employees).

Picture 10: The coverage of employees by collective agreements by gender (Czech Republic, 2018)



Source: The Czech Statistical Office (Employee payroll structure). The data are valid as of 19th July 2019.

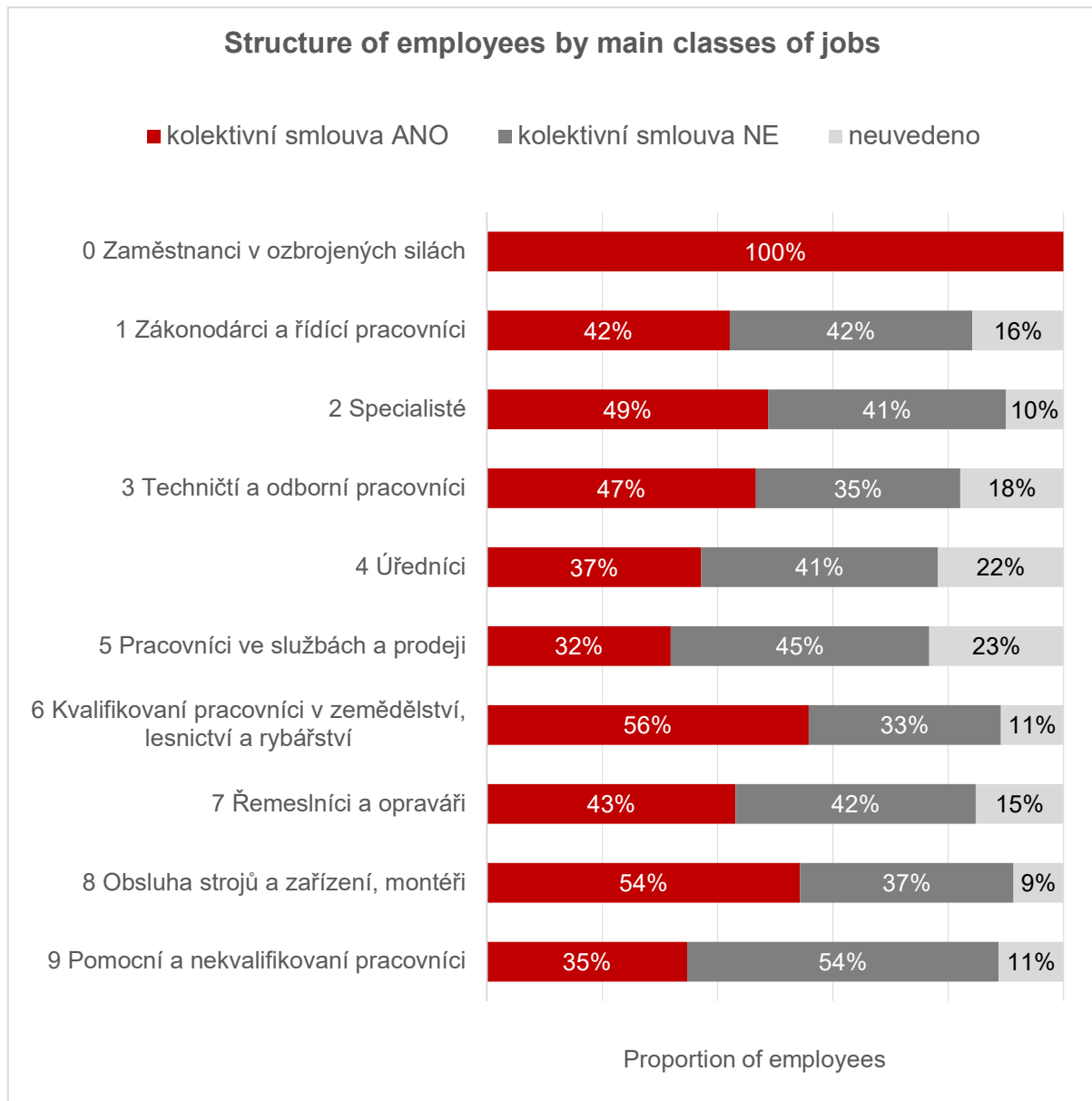
<sup>11</sup> Boeri, T., Brugiavini, A., Calmfors, L. (2001). *The Role of Unions in the Twenty-first Century: A Report for the Fondazione Rodolfo De Benedetti*. New York: Oxford University Press.

Ledwith, S. (2012). Gender politics in trade unions. The representation of women between exclusion and inclusion. *Transfer: European Review of Labour and Research*, Vol. 18, No. 2, pp. 85–99.

Munro, A. (2001). A feminist trade union agenda? The continued significance of class, race and gender. *Gender, Work & Organization*, Vol. 8, No. 4, p. 454–471.

In the Czech Republic, there are large differences in employee coverage by collective agreements **for various types of jobs**. Employees in the armed forces are fully covered due to the concentration of these workers to a single entity (Ministry of Defence of the Czech Republic and the Army of the Czech Republic). **High protection** by collective agreements is granted to **skilled workers in agriculture**, forestry and fishing industry (6<sup>th</sup> main job class according to CZ-ISCO classification) and in the category of **operation of machinery and equipment and fitters** (8<sup>th</sup> main class), with more than a half employees covered by collective agreements in the two main job classes. In comparison, **the currently lowest coverage** by collective agreements is in case of **workers in services and sales** (5<sup>th</sup> main class) and of **assistant and unskilled workers** (9<sup>th</sup> main class). In these main classes, only a third of employees are protected by collective agreements (see Picture 11).

Picture 11: The coverage of employees by collective agreements by jobs in 2018 (Czech Republic, 2018)



Note: The full names of the main job classes of the CZ-ISCO classification are given in the Table II of the Annex.

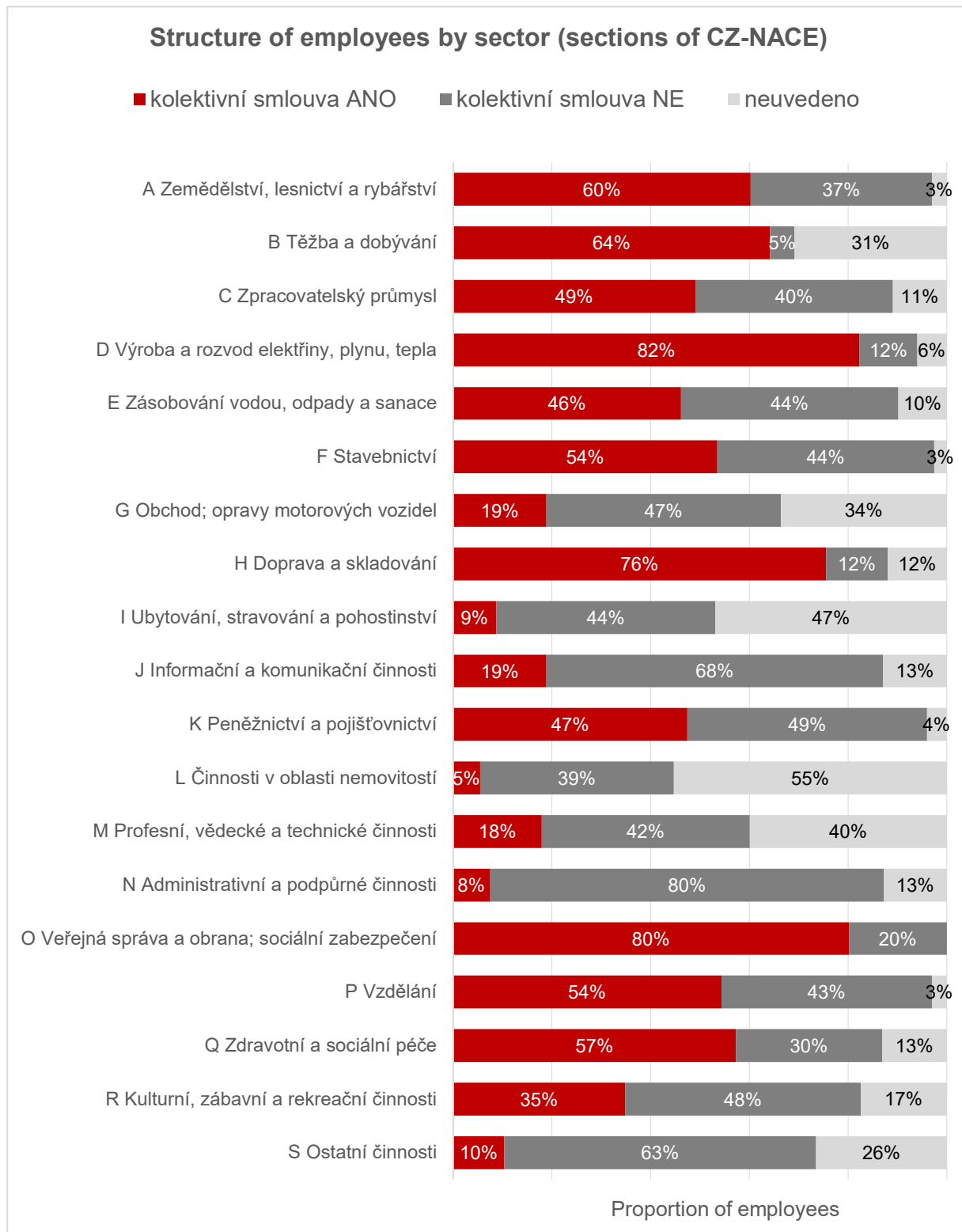
With a collective agreement, NO collective agreement; not given

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

0. Employees in armed forces, 1. Legislators and executive workers, 2. Specialists, 3. Technical and professional workers, 4. Officials, 5. Workers in services and sales, 6. Qualified workers in agriculture, forestry and fishing industry, 7. Craftsmen and repairers, 8. Operation of machinery and appliances, fitters, 9. Assistant and non-skilled workers

The situation in employee coverage by collective agreements in each sector is illustrated by Picture 12 . **The highest employee coverage** is typical of **sectors with a long tradition of collective bargaining** (e.g. agriculture, forestry and the fishing industry – Section A of the CZ-NACE classification, mining and quarrying – Section B, production and distribution of electricity, gas and heat – section D, or transport and storing – Section H) and for public administration, defence and social security (Section O).

Picture 12: The coverage of employees by collective agreements by sector (Czech Republic, 2018)



Note: The full names of the sections of the CZ-NACE classification are given in the Table I in the Annex.

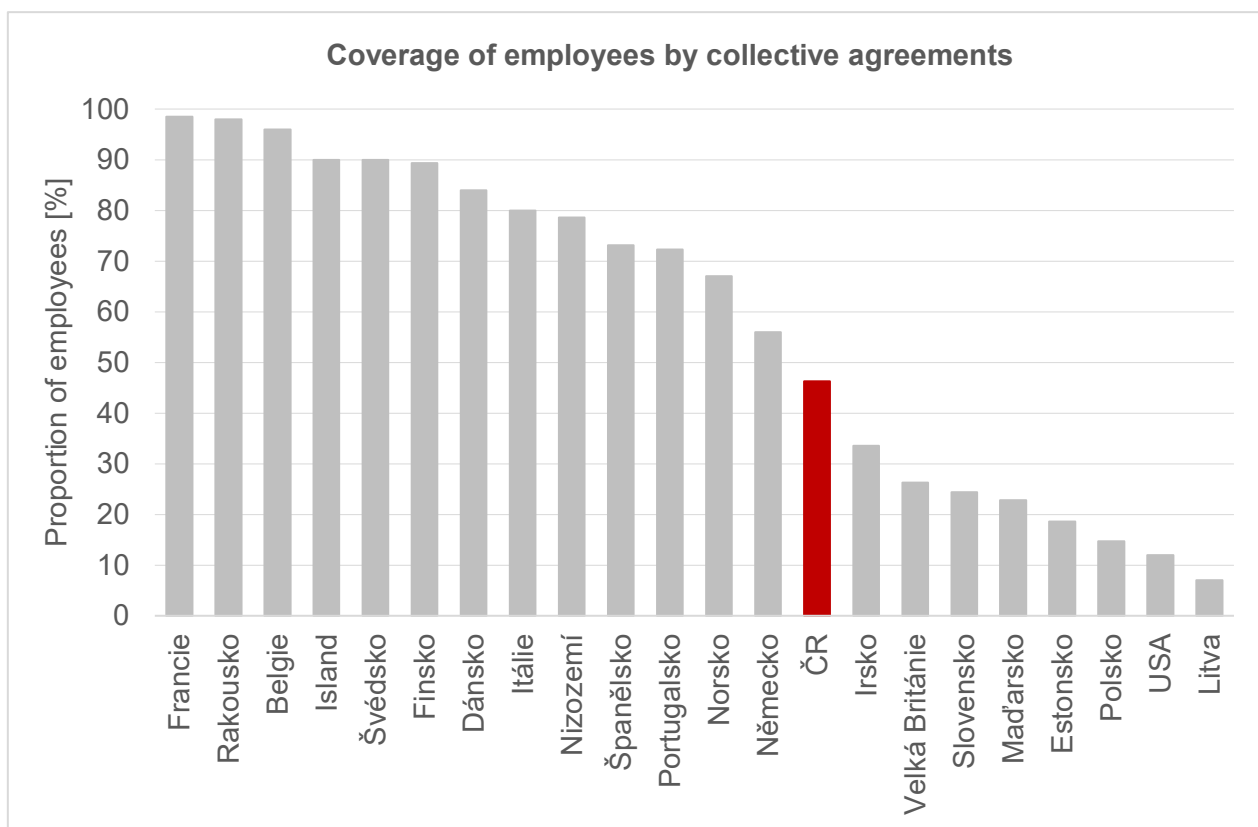
Source: ISAE (MLSA). The data are valid as of 19th July 2019. With a collective agreement, NO collective agreement; not given

A - Agriculture, forestry, fishing industry, B- Mining and quarrying, C – Manufacturing, D - Production and distribution of electricity, gas, heat, E - Water supply; waste and remediation, F – Construction, G - Commerce, repair of motor vehicles, H - Transport and storing, I - Accommodation, catering and hospitality, J - Information and communication activities, K - Finance and insurance, L - Real estate activities, M - Professional, scientific and technical activities, N - Administrative and support activities, O - Public administration and defence; social security, P – Education, Q - Medical and social care, R - Cultural, entertainment and recreational activities, S - Other activities

On the contrary, employees working in non-homogeneous sectors or sectors characterised by numerous small economic entities have the lowest rate of union protection. Examples of these sectors include **real estate activities** (Section L), **administrative and support activities** (Section N) or **accommodation, catering and hospitality** (Section I). In these sectors, **less than 10% of employees are covered** by collective agreements.

Although the coverage of some groups of Czech employees is low compared to the whole Czech Republic, the protection of Czech employees by collective agreements in general remains relatively high compared to other countries of the Visegrad Four (see above) and with some developed countries (see Picture13).

Picture13: The international comparison of the coverage of employees by collective agreements



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Note: The most up-to-date available data were used for the countries where the 2016 figure was unavailable. For Poland, the data for 2012 were used. The 2014 data were used for the following countries: France, Hungary, Ireland and Norway. The data for 2015 were used for the following countries: the Czech Republic, Denmark, Estonia, Finland, Italy, Lithuania, Portugal, Slovakia and Sweden. The data for 2016 were used for the following countries: Austria, Belgium, Germany, Iceland, Netherlands, Spain, the UK and the USA.

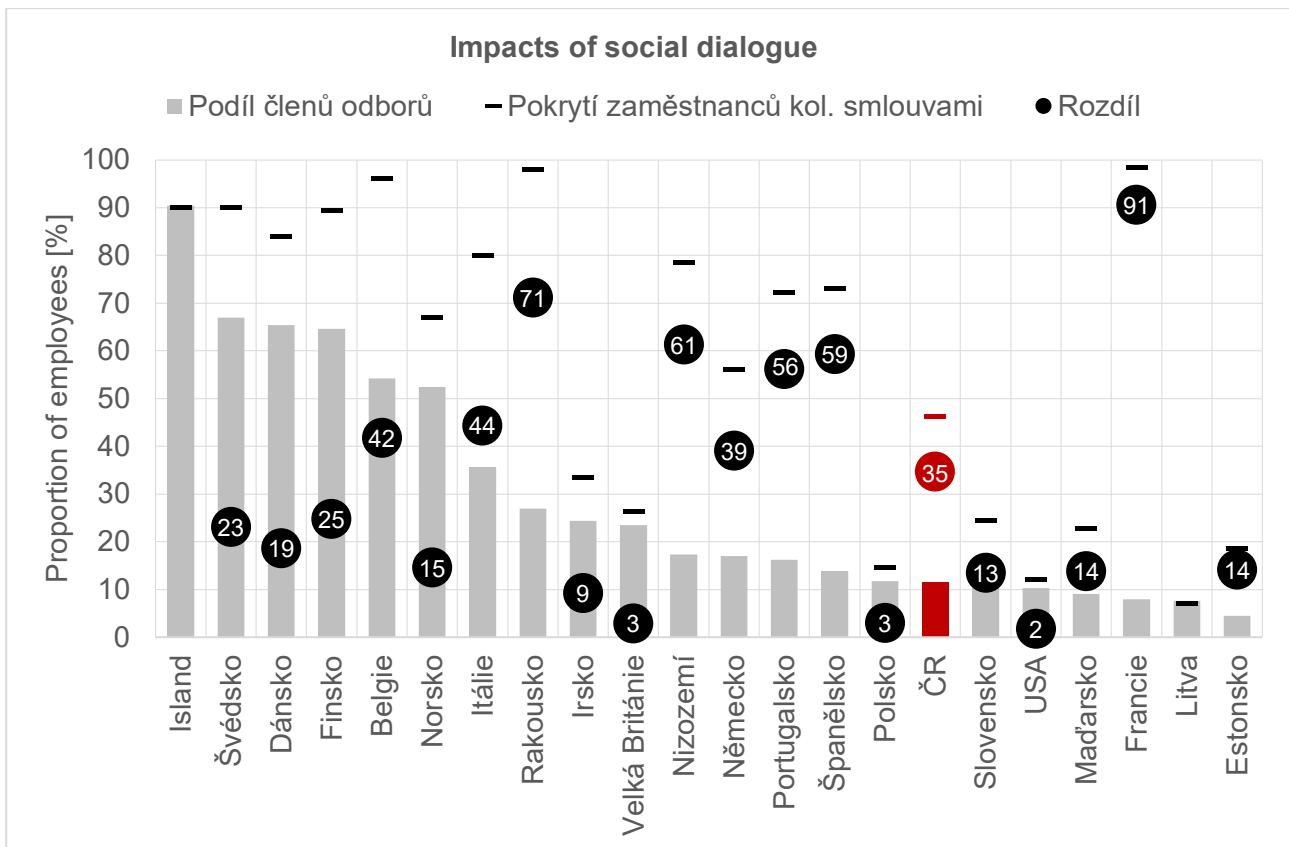
Source: OECD. The data are valid as of 19th July 2019.

On the other hand, in many developed countries, almost all employees are covered by collective agreements, e.g. **France, Austria, Belgium, Iceland, Sweden, Finland, Denmark and Italy**, where **more than 80% of the employees are covered** by collective agreements.

The information on the employee coverage by collective agreements and the level of trade union engagement (i.e. the proportion of employees who are also union members) provide an important message about the development and the status quo of collective bargaining in the given country. The difference between the two numbers then offers important information about the **strength of trade unions** in the country. The higher the difference between the two numbers, the more employees (who are non-members) are represented by union members. As shown in the Picture14, trade unions **in France** appear to be the strongest in this respect. **The union member base is at 8% of employees, but collective bargaining results are applicable to 98% of employees.** Thus, thanks to the expansion of collective agreements, more than 91% employees benefit from the work of trade unions compared to those who participated in the negotiations.



Picture14: The difference between employee coverage by collective agreements and employee union engagement in selected countries



Note.: For each country, the period was defined in the same way as for the Pictures 3 and 13.

Share of union members; Employee coverage by coll. Agreement; The difference

Source: OECD. The data are valid as of 19th July 2019.

Iceland; Sweden; Denmark; Finland; Belgium; Norway; Italy; Austria; Ireland; UK; Netherlands; Germany; Portugal; Spain; Poland; Czech Republic; Slovakia; USA; Hungary; France; Lithuania; Estonia

In comparison, **trade unions in the USA, Lithuania or Poland have the lowest strength** in this regard. In these countries, both trade union engagement and coverage by collective agreements are low. The minimum difference between the two indicators then shows that **the members primarily benefit from the work of trade unions and there is no greater overlap on other employees.**

In terms of the difference between the share of employees covered by collective agreements and the proportion of employees who are members of trade unions, **the Czech Republic** is at the average level in the OECD countries. **Four times more employees benefit from the activities of trade unions than those who participate in the trade union activities.** Thus, if we evaluate the results in an international context, trade unions in the Czech Republic are of medium strength.

### 3 The impact of the social dialogue on working conditions of employees

The impact of the social dialogue on employee working conditions can be assessed from many perspectives. However, the efforts to quantify the relationship between trade union activity and the labour market situation are often limited by data sources which do not allow the monitored issues to be evaluated in a sufficiently comprehensive manner, which results in an overestimation or underestimation<sup>12</sup>. At the same time, the causality of relations between the activities of trade unions and the monitored variables (level of remuneration, unemployment, etc.) is often determined ambiguously.<sup>13</sup> Considering the limitations above, this chapter will be devoted to analysing the differences in working conditions of employees in the Czech Republic, with regard to the existence of a collective agreement at their employer. Based on the findings of foreign research, it can be assumed that a **group of workers covered by collective agreements** will be more likely to **set better working conditions** compared to employees who are unprotected by a collective agreement. The aim of the chapter will therefore be to evaluate whether in case of the Czech Republic, there is also a **duality** between employees covered and uncovered by a collective agreement on the labour market.

The chapter will pay attention to the **main aspects of working conditions** of employees, which are most frequently mentioned in the context of collective bargaining. The first part of the chapter will be dedicated to the **issue of working hours**, in particular the length of working time, the scope of leave and overtime. In view of the results of foreign research, it can be assumed that employees covered by a collective agreement will report less time worked, a greater amount of leave, and at the same time a lower number of hours of overtime. The second part of the chapter will focus on **remuneration**. Regarding remuneration, we also assume that employees covered by a collective agreement will have better conditions in contrast to the unprotected employees. Better conditions will be specifically expressed by a higher level of remuneration and simultaneously, a lower proportion of low-earning employees. The last part of the chapter will be devoted to a regression model to examine the impact of collective bargaining on the level of

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<sup>12</sup> Hirsch, B. T. (2004). Reconsidering Union Wage Effects: Surveying New Evidence on an Old Topic. *Journal of Labor Research*, 2004, Vol. 25, No. 2 (April 2004), pp. 233-266.

Freeman, R. B. (2005). What Do Unions Do?: The 2004 M-Brane Stringtwister Edition [NBER Working Paper No. 11410]. Cambridge, MA: National Bureau of Economic Research.

<sup>13</sup> Checchi, D., Lucifora, C. (2002). Unions and labour market institutions in Europe. *Economic Policy*, 2002, Vol. 17, No. 35, pp. 361-408.

remuneration, considering other factors that affect the level of pay (e.g. gender, educational attainment or employer size).

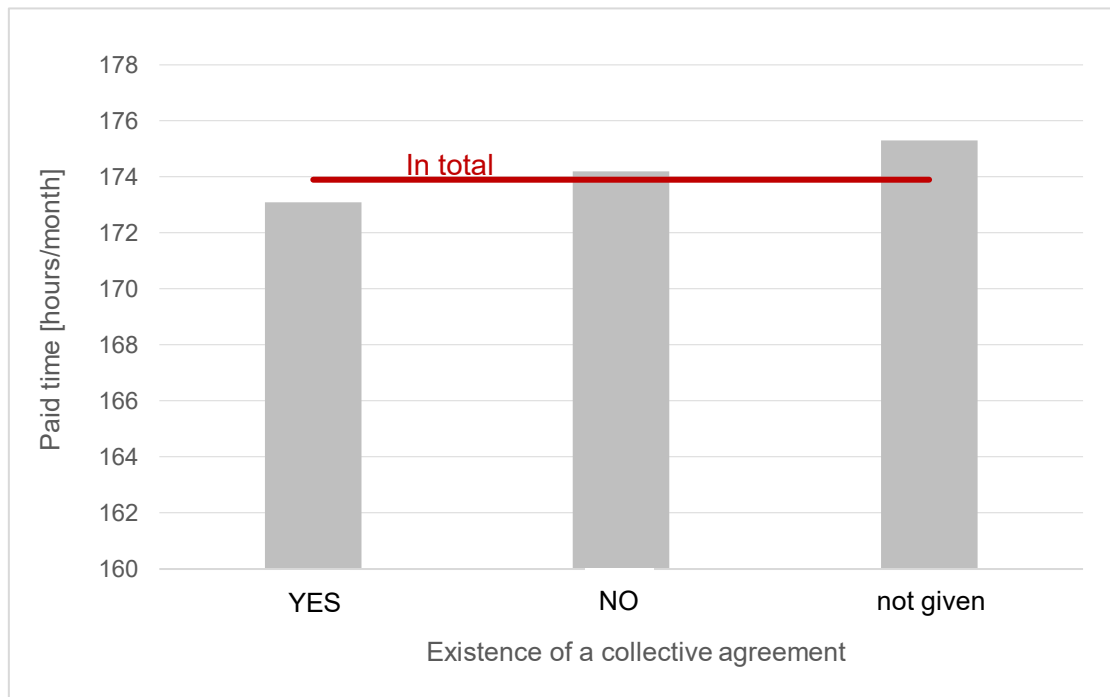
### 3.1 Working hours

In recent years, other possibilities of reducing the scope of employees' working hours have been discussed in the Czech Republic. The scope of working time is currently longer in the Czech Republic than in many other developed countries (see Picture I in the Annex), but there are significant differences between different groups of employees. The following section will therefore be devoted to the differences in terms of paid time, the extent of leave and overtime work between employees covered and uncovered by a collective agreement.

#### 3.1.1 Paid time

The total scope of paid working time according to the existence of a collective agreement is illustrated in the Picture 15. It shows that in 2018, **employees covered by a collective agreement** (or by other paid barriers at work) **spent** an average of **an hour less per month at work** compared to employees who were not covered by collective agreements.

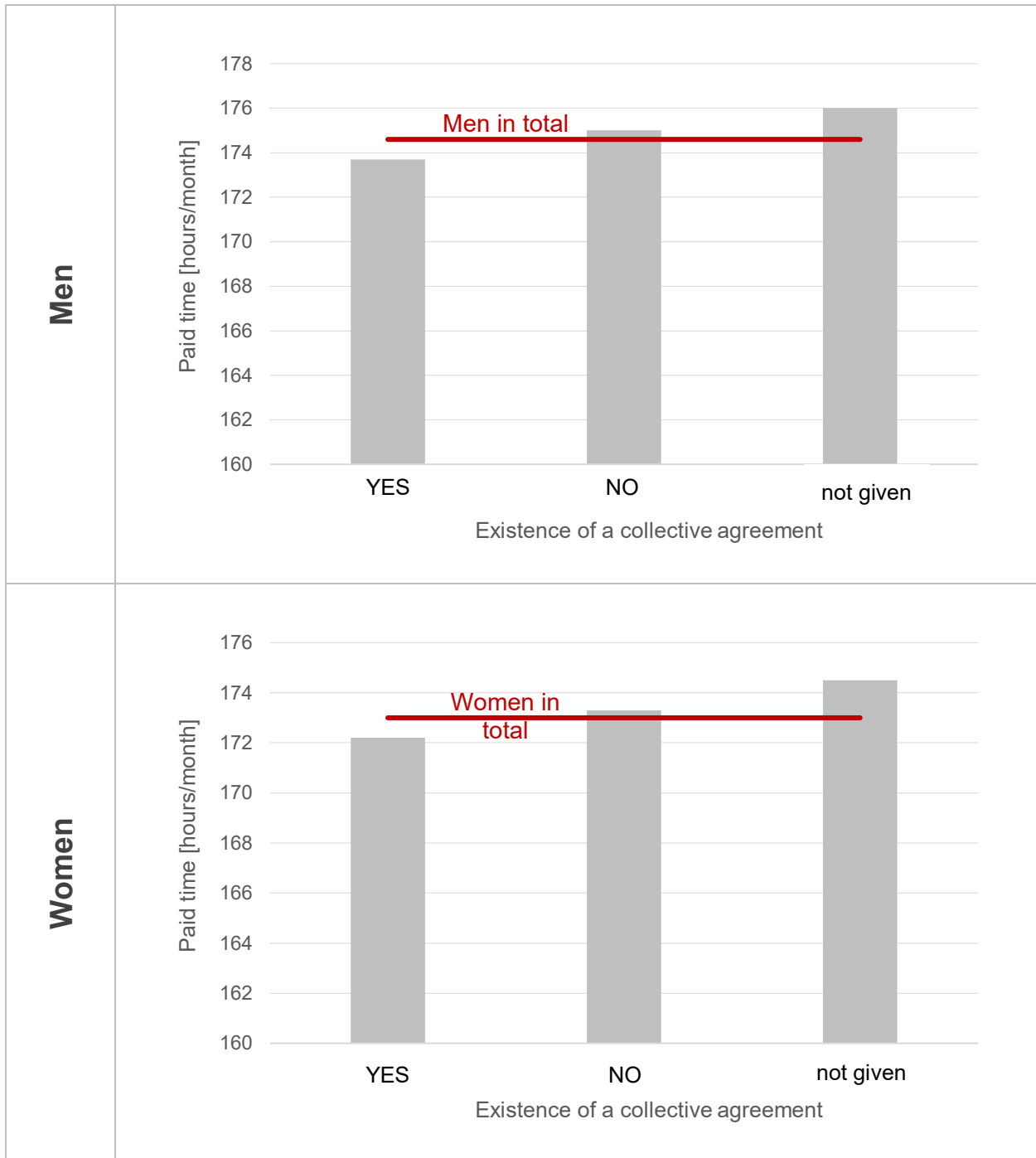
Picture 15: Paid time by the existence of a collective agreement (Czech Republic, 2018)



Source: The Czech Statistical Office (Employee payroll structure). The data are valid as of 19th July 2019.

The situation is very similar in terms of gender – **both women and men covered by collective bargaining spend less time performing paid work** than their colleagues without the protection of a collective agreement (see Picture 16).

Picture 16: Paid time by the existence of a collective agreement and gender (Czech Republic, 2018)

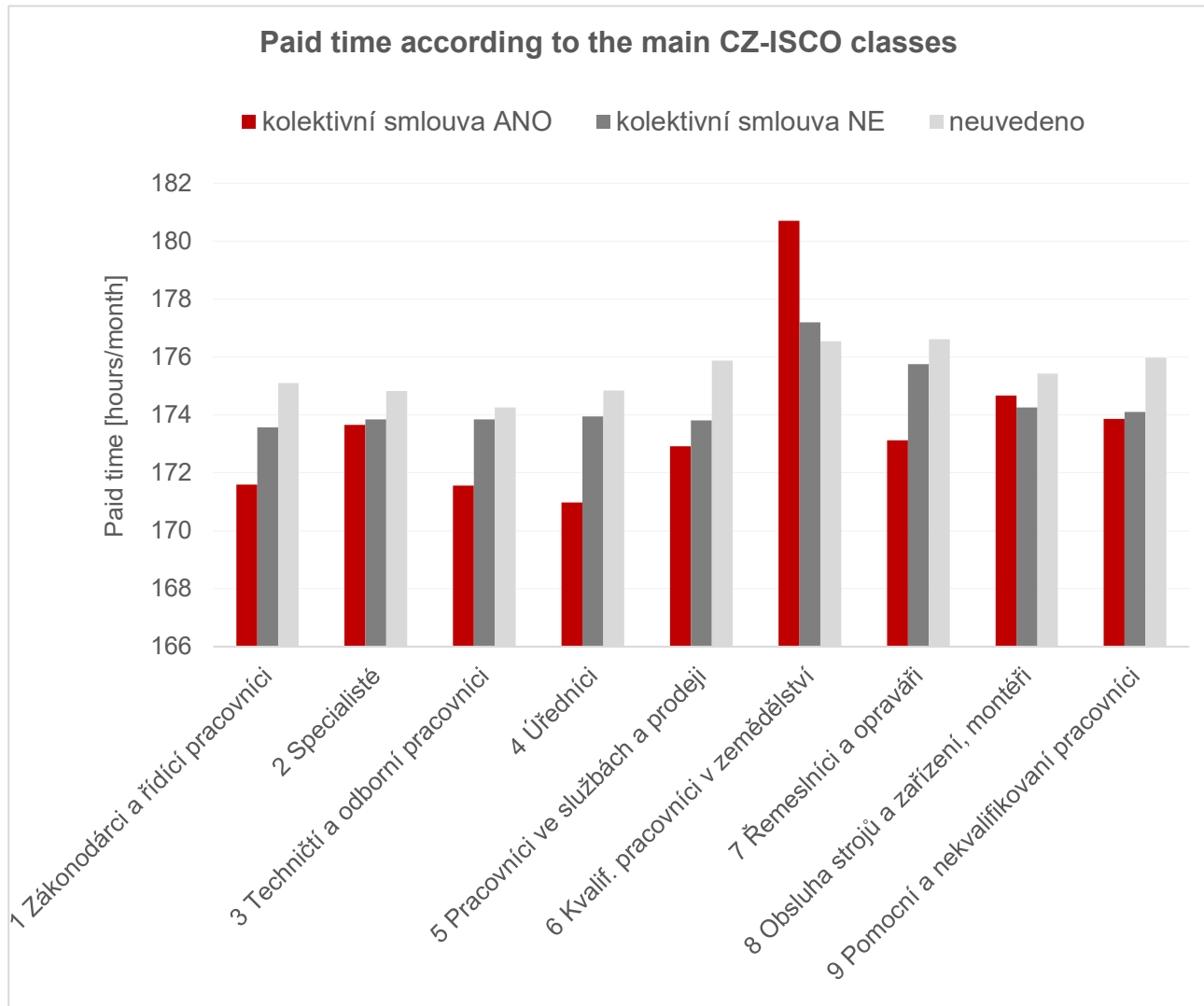


Source: The Czech Statistical Office (Employee payroll structure). The data are valid as of 19th July 2019.

The differences in the scope of paid time between employees covered and uncovered by collective agreements by jobs are shown in Picture 17. The picture clearly shows that **for most main job classes, the amount of paid time is lower for employees covered by a collective agreement.** Qualified workers in agriculture, forestry and fishing industry (6<sup>th</sup>

main job class in the CZ-ISCO classification) and machinery and equipment operators and fitters (8<sup>th</sup> main class) are an exception. However, the higher amount of paid time for these employees is largely caused by the greater scope of paid leave (see Picture 21) and paid overtime (see Picture 29).

Picture 17: Paid time by the existence of a collective agreement and jobs (Czech Republic, 2018)



Note: The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex.

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

1. Legislators and executive workers, 2. Specialists, 3. Technical and professional workers, 4. Officials,
5. Workers in services and sales, 6. Qualified workers in agriculture, 7. Craftsmen and repairers,
8. Operation of machinery and appliances, fitters, 9. Assistant and non-skilled workers

The paid time of employees covered and not covered by collective agreements in each sector is shown in the Picture 18. The picture shows that in **most sectors, the time devoted to work is shorter for employees covered by a collective agreement**. The exceptions include agriculture, forestry and the fishing industry (Section A of the CZ-NACE sector classification), where qualified workers in agriculture, forestry and the fishing industry mentioned above are most often employed. Similarly as in case of jobs, it must be stressed that when it comes to sectors, the paid time also includes time-off, for which employees are entitled to compensation for wages (e.g. leave). Paradoxically, a greater extent of leave (see Picture 22) can therefore visually deteriorate employees' position in terms of paid work time dedicated to work.

Picture 18: Paid time by the existence of a collective agreement and sector (Czech Republic, 2018)



Note: The names of each section of the CZ-NACE classification are given in the Table I in the Annex.

With a collective agreement, NO collective agreement; not given

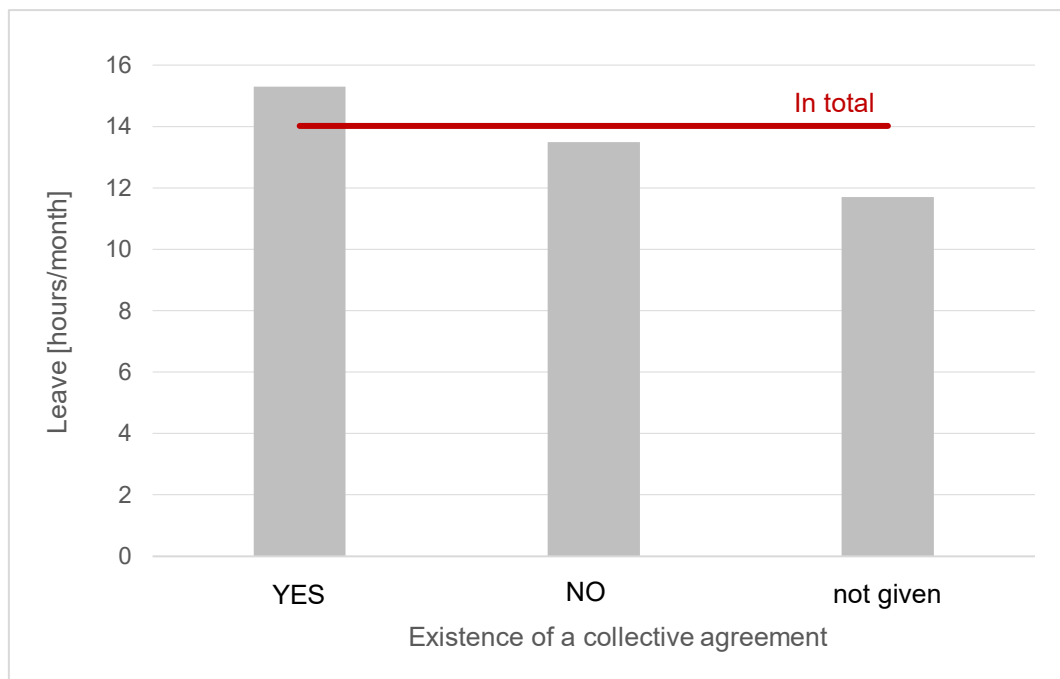
Source: ISAE (MLSA). The data are valid as of 19th July 2019.



### 3.1.2 Leave

Under the Labour Code, employees who are employed, are entitled to take leave. Leave is a rest period intended for regeneration of the workforce. Employees must be granted leave at least to the extent guaranteed in the applicable legislation. However, some employers give their employees leave to a greater extent than legally imposed. The frequent practical consequence is that employees cannot use up their leave in full extent due to pressing operational reasons on the part of the employer. In assessing the situation of employees, it is therefore **more appropriate to analyse the extent of the leave actually taken rather than the scope of the leave offered by the employer** (whether in accordance with the legislation or beyond its scope). Collective bargaining plays a major role in terms of the scope of leave, as the findings of the collective agreement survey in the form of information on working conditions show that employees covered by a collective agreement tend to have a greater scope of leave negotiated. In addition, the results of structural wage statistics in the form of ISAE show that **in 2018, employees covered by a collective agreement took an average of 15 hours of leave a month**, while their **colleagues uncovered by a collective agreement drew only 13 hours** (see Picture 19).

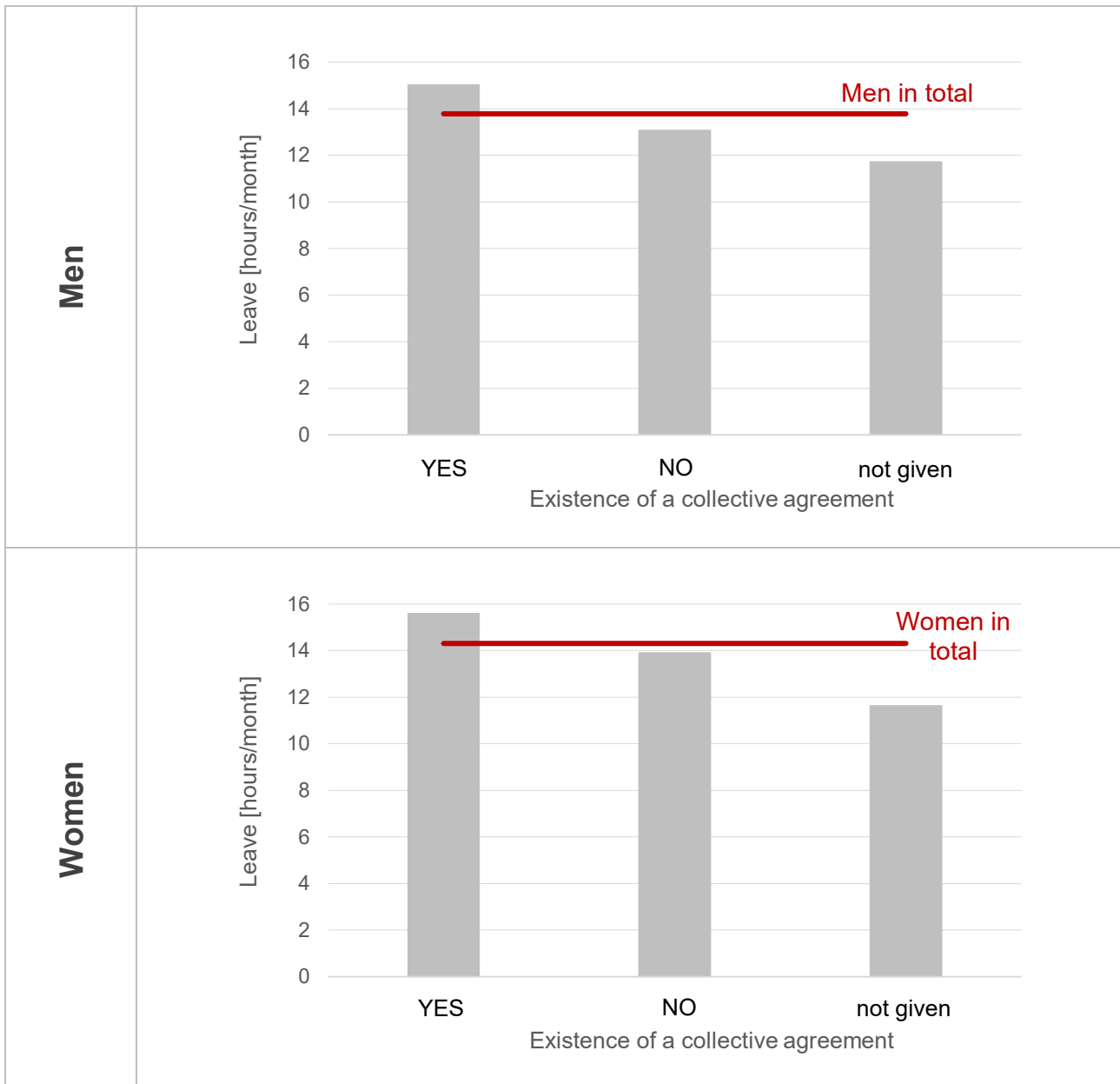
Picture 19: The scope of leave taken by employees by the existence of a collective agreement (Czech Republic, 2018)



Source: ISAE (MLSA). The data are valid as of 19th July 2019.

From the perspective of gender, it appears that the differences between employees covered and uncovered by a collective agreement also apply to individual genders – i.e. **men and women under the protection of collective agreements take on average more hours of leave** per month than their colleagues uncovered by collective agreements (see Picture 20). Moreover, the picture below shows that **on average, women take more leave than men**, regardless of the existence of a collective agreement. This result thus indicates that women exercise their rights more and devote more space to private life when aligning private and working life.

Picture 20: The scope of leave taken by gender and existence of a collective agreement (Czech Republic, 2018)

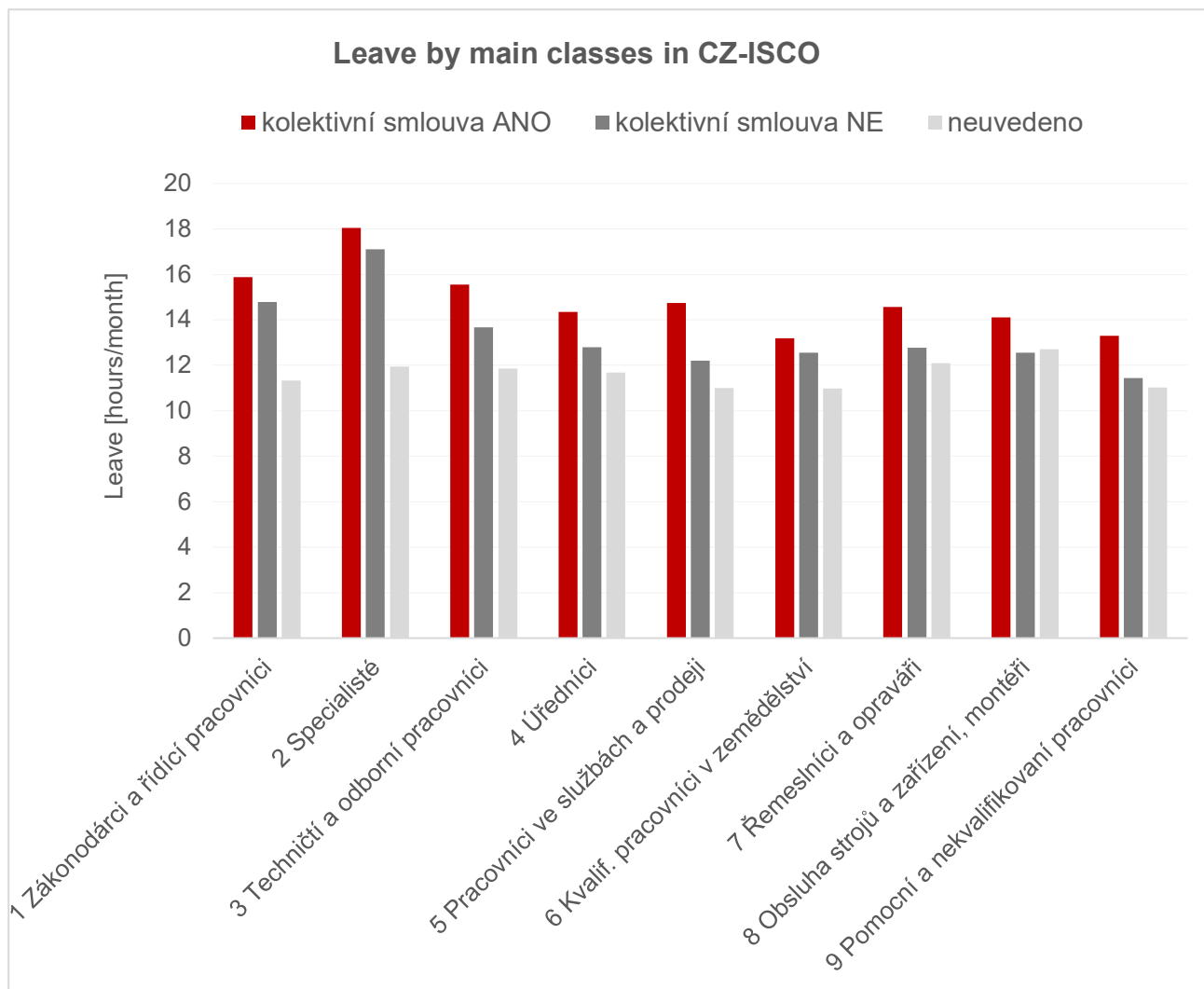


Source: ISAE (MLSA). The data are valid as of 19th July 2019.

YES NO not given      YES NO not given

The results by jobs show that the **existence of a collective agreement means a greater extent of the leave actually taken for all jobs**. Picture 21 indicates that employees performing certain jobs take more leave than their colleagues. In 2018, specialists took the greatest extent of leave (2<sup>nd</sup> main job class in the CZ-ISCO classification), while specialists covered by collective agreements spent an average of 18 hours leave per month. On the contrary, the shortest time on leave in 2018 was spent by qualified workers in agriculture, forestry and the fishing industry (6<sup>th</sup> main class) who spent an average of 13 hours of leave a month in case of collective agreement coverage and only 11 hours in companies uncovered by a collective agreement.

Picture 21: The scope of leave taken by the main job classes and the existence of a collective agreement (Czech Republic, 2018)



Note: The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex.

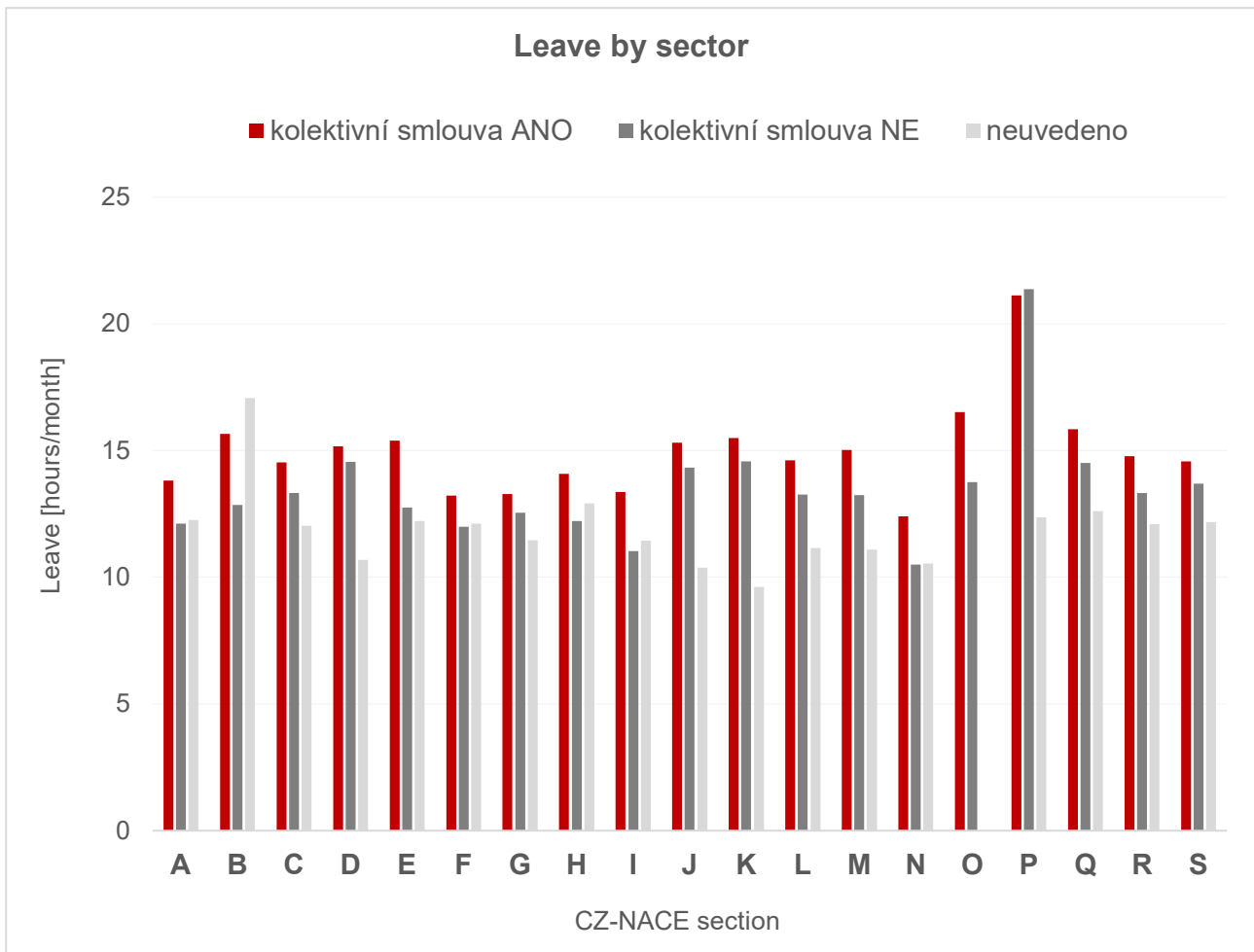
With a collective agreement, NO collective agreement; not given

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

1. Legislators and executive workers, 2. Specialists, 3. Technical and professional workers, 4. Officials, 5. Workers in services and sales, 6. Qualified workers in agriculture, 7. Craftsmen and repairers, 8. Operation of machinery and appliances, fitters, 9. Assistant and non-skilled workers

The extent of time spent on leave in 2018 by sector is shown in the Picture 22. The picture clearly shows that **employees covered by a collective agreement spent more time on leave in almost all sectors** compared to employees without the protection of a collective agreement. The biggest difference between employees covered and uncovered by a collective agreement was in 2018 in mining and quarrying (the CZ-NACE classification, Section B), public administration, defense and mandatory social security (Section O), water supply and activities related to waste and remediation (Section E) and accommodation, catering and hospitality (Section I). In these sectors, employees spent an average of almost 3 hours more a month on leave compared to their colleagues in companies without a collective agreement.

Picture 22: The extent of leave taken by sector and existence of a collective agreement (Czech Republic, 2018)



Note: The names of each section of the CZ-NACE classification are given in the Table I in the Annex.

With a collective agreement, NO collective agreement; not given

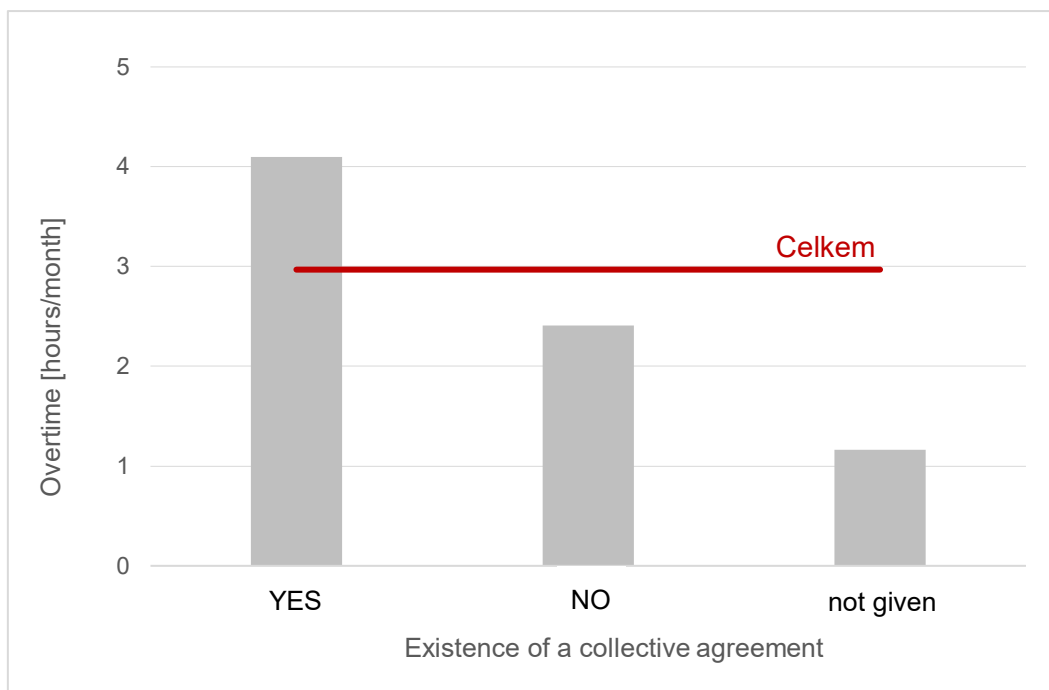
Source: ISAE (MLSA). The data are valid as of 19th July 2019.

The picture also shows that the **largest extent of leave** in 2018 was taken by staff working in **education** (Section P). In this sector, the lowest difference between employees covered by a collective agreement and other employees was also identified. The difference in favour of employees not covered by a collective agreement was 0.2 hours per month in this field of industry.

### 3.1.3 Overtime

In an effort to balance work and family life, employees are significantly affected by the time devoted to work, while workload needs to be evaluated including overtime. The scope of overtime is limited by the Czech legislation, but these provisions are often disregarded (whether by employers or employees). The scope of overtime reported is monitored within the ISAE. The Picture 23 suggests that, at first glance, employees covered by a collective agreement are in a worse position in terms of overtime work compared to employees without a collective agreement.

Picture 23: Overtime work according to the existence of a collective agreement (Czech Republic, 2018)

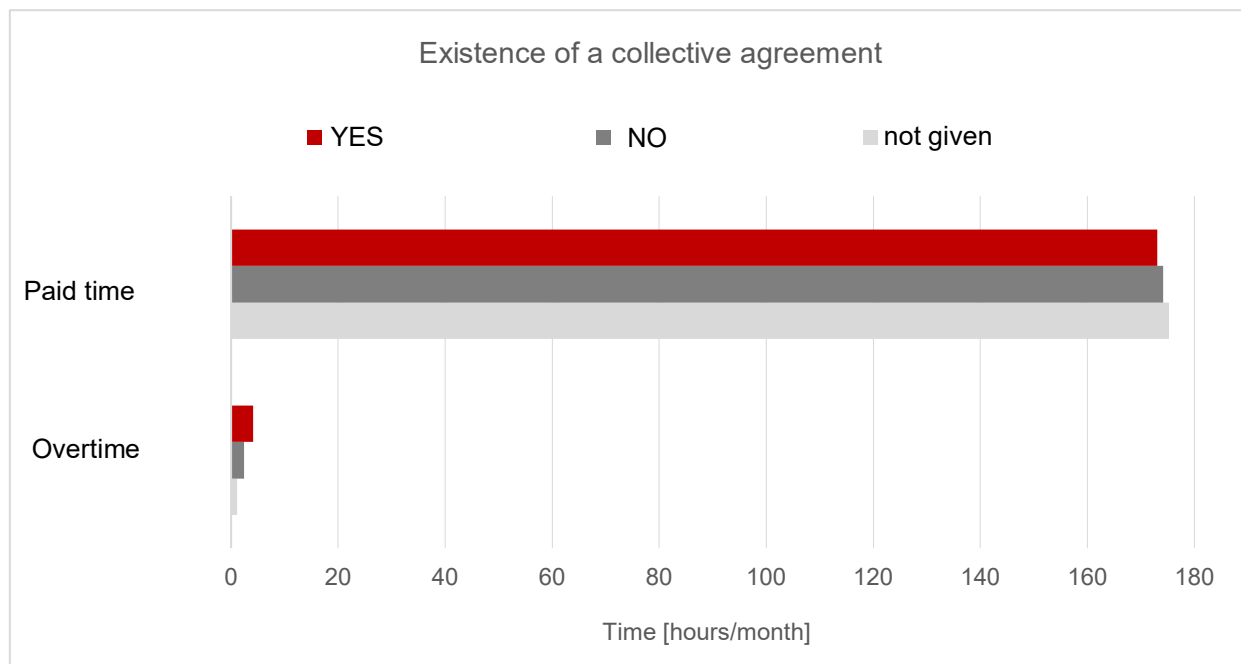


Source: ISAE (MLSA). The data are valid as of 19th July 2019. In total; YES; NO; not given

However, an **evaluation based only on the scope of overtime work** can be **misleading** without additional information. The Picture 24 clearly shows that on the one hand, **employees covered by a collective agreement work more hours of overtime per month**, but on the other hand, **the total amount of paid time in their case is shorter**. All in all, it can be stated that **in total, employees covered by a collective agreement spend**

**less time on work duties** than employees without the protection of a collective agreement. Employees covered by a collective agreement also have a greater number of hours of recorded overtime work. For employees not covered by a collective agreement, the scope of overtime is lower, but this is influenced by two factors – these employees can theoretically work fewer hours of overtime as their fixed working hours are longer (and it is not necessary to require that they work overtime in a greater volume, because their working time fund is larger and they can perform their tasks during their normal working hours) and they are also under less protection by trade unions, and therefore overtime work may not be recorded in accordance with the legislation in force.

Picture 24: The scope of paid time and overtime by the existence of a collective agreement (Czech Republic, 2018)

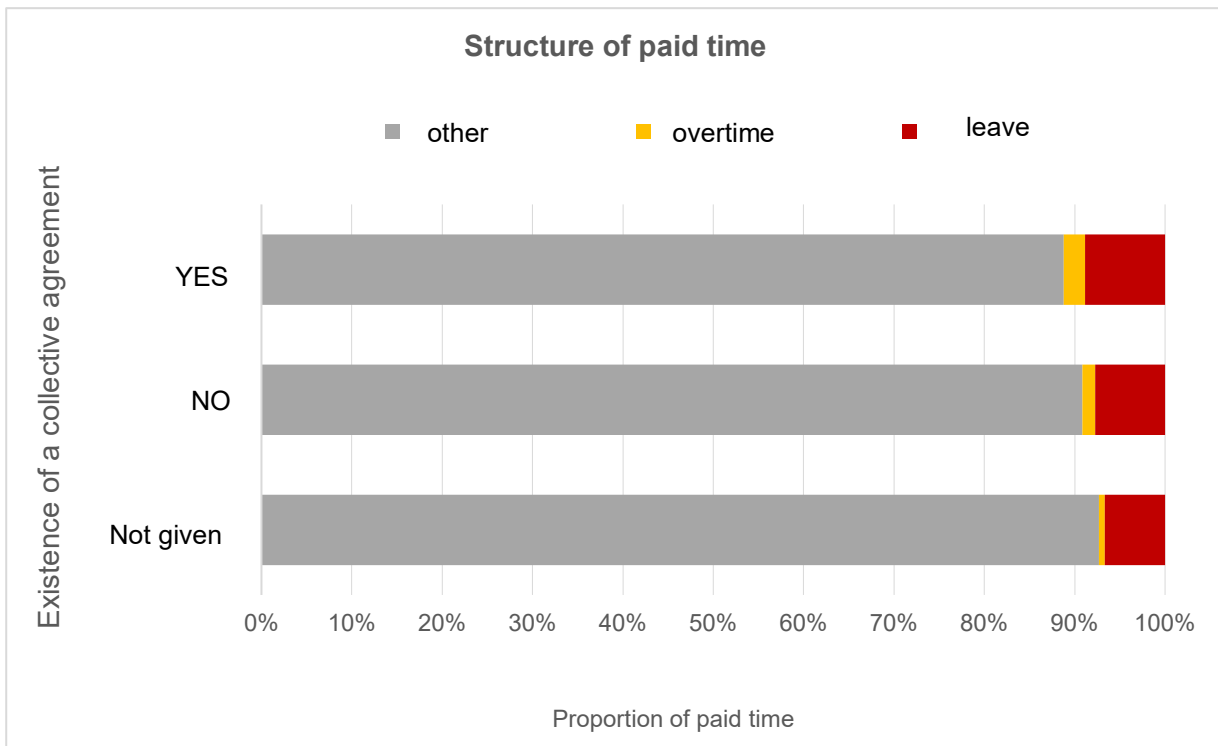


Source: ISAE (MLSA). The data are valid as of 19th July 2019.

There are also differences between employees in terms of **structure of paid time**. For **employees covered by a collective agreement** – compared to their colleagues who are not covered – **a larger proportion of leave is allocated** (see Picture 25). The situation is similar also in terms of recorded overtime work. Thus, **employees covered by a collective agreement** have **more efficiently defined working time conditions**.



Picture 25: The structure of paid time by the existence of a collective agreement (Czech Republic, 2018)

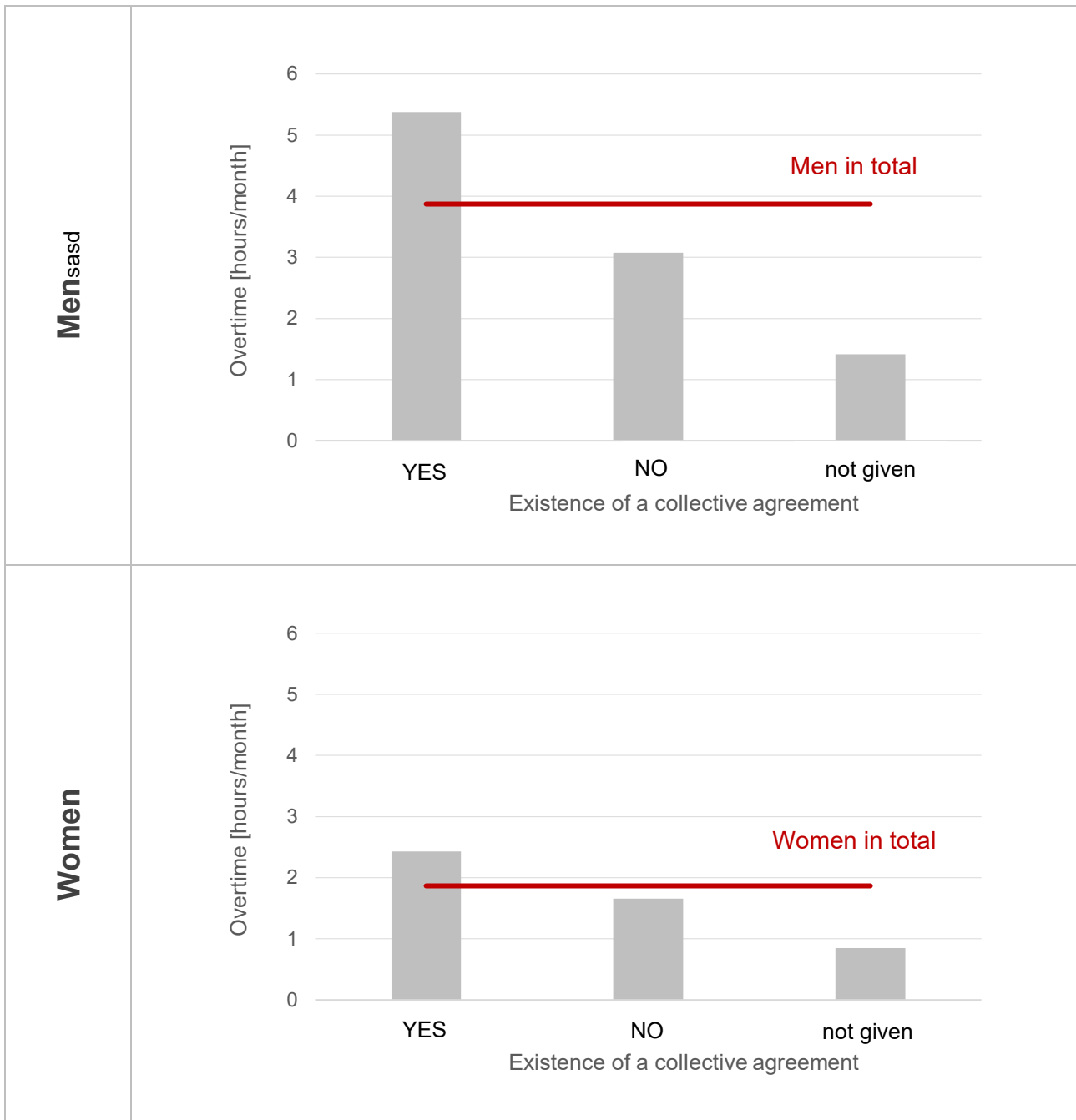


Note.: The item 'Other' includes paid hours worked under the agreed working time fund and another period for which the employee is entitled to compensation for wages (excluding temporary incapacity to work due to illness).

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

The scope of overtime work by gender is illustrated in the Picture 26. The picture shows that **men generally work more hours of overtime a month compared to women**, regardless of the existence of a collective bargaining agreement. The results per gender are consistent with the aggregate results shown in the Picture 25. In other words – in 2018, **both men and women covered by a collective agreement show more hours of overtime recorded and, if applicable, reimbursed or compensated** by compensatory time-off.

Picture 26: The overtime by gender and the existence of a collective agreement (Czech Republic, 2018)

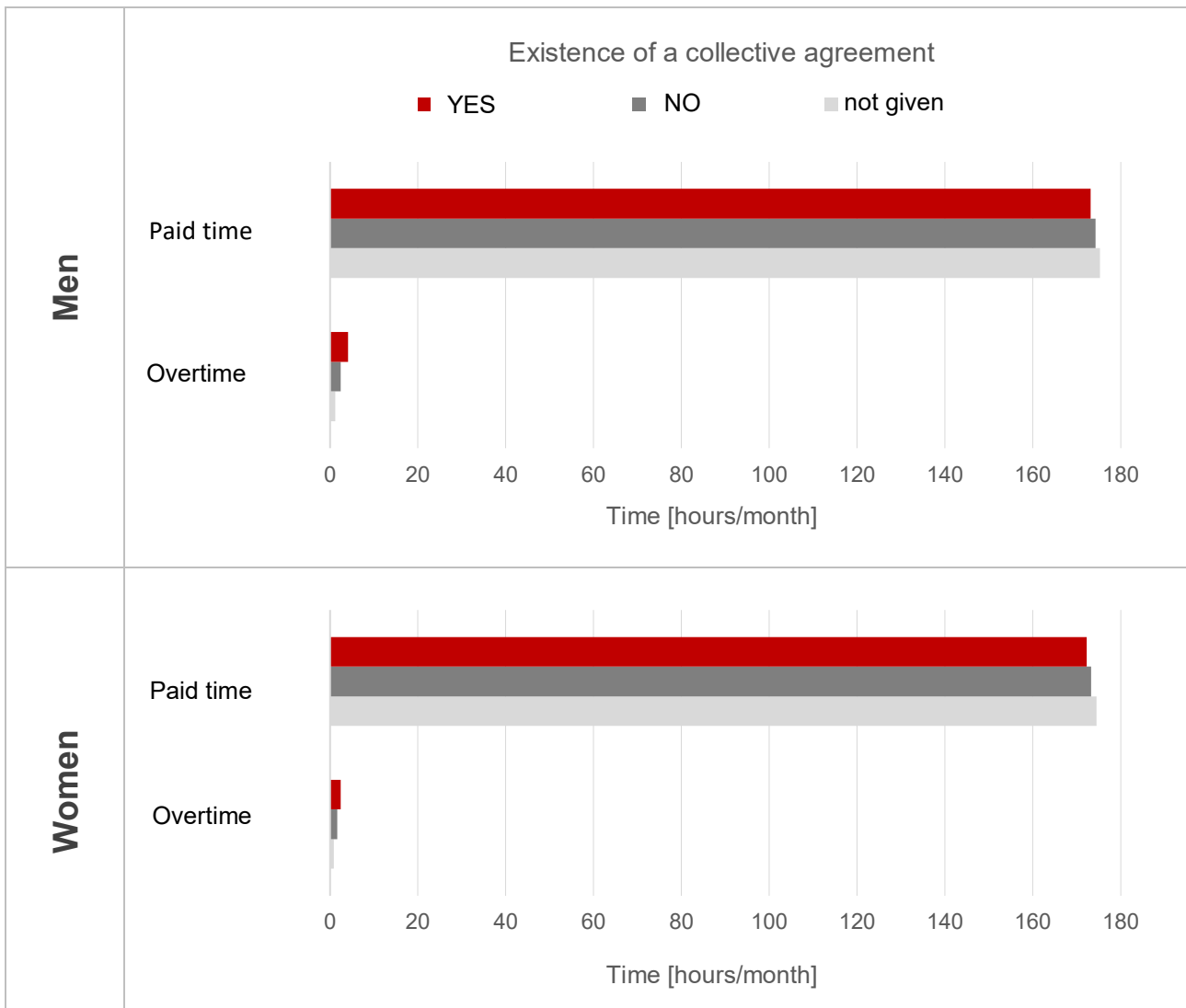


Source: ISAE (MLSA). The data are valid as of 19th July 2019. )

However, also in case of genders, it is necessary to evaluate the position of employees according to the scope of overtime comprehensively. In fact, the position of those covered by a collective agreement is not worse than for employees without the protection of a

collective agreement, as shown in Picture 27. Men covered by collective agreements show a lower extent of paid time, even though they work more hours of overtime on average. In 2018, the situation was similar in case of women.

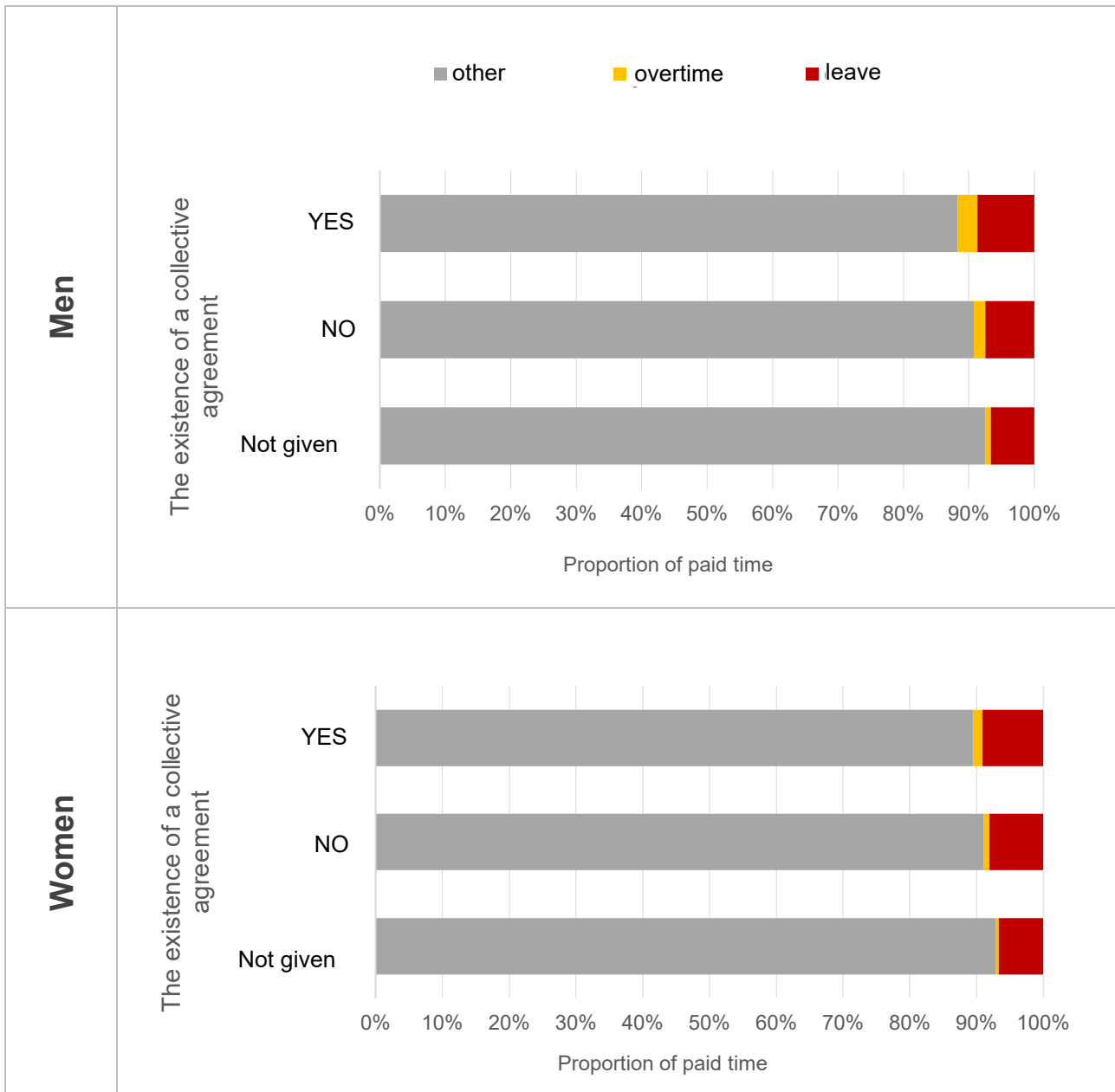
Picture 27: The scope of paid time and overtime by gender and existence of a collective agreement (Czech Republic, 2018)



Source: ISAE (MLSA). The data are valid as of 19th July 2019.

**Men covered by collective agreements** also have **a more favourable paid time structure** (see Picture 28). A larger proportion of hours are spent on leave (an average of 9% of paid time in 2018) and on recorded overtime (3%) compared to men uncovered by a collective agreement. **For women, the situation is similar** – for women covered by collective agreements, 9% of the paid time is leave, while for women not covered by a collective agreement, it is 1% less.

Picture 28: The structure of paid time by gender and existence of a collective agreement (Czech Republic, 2018)

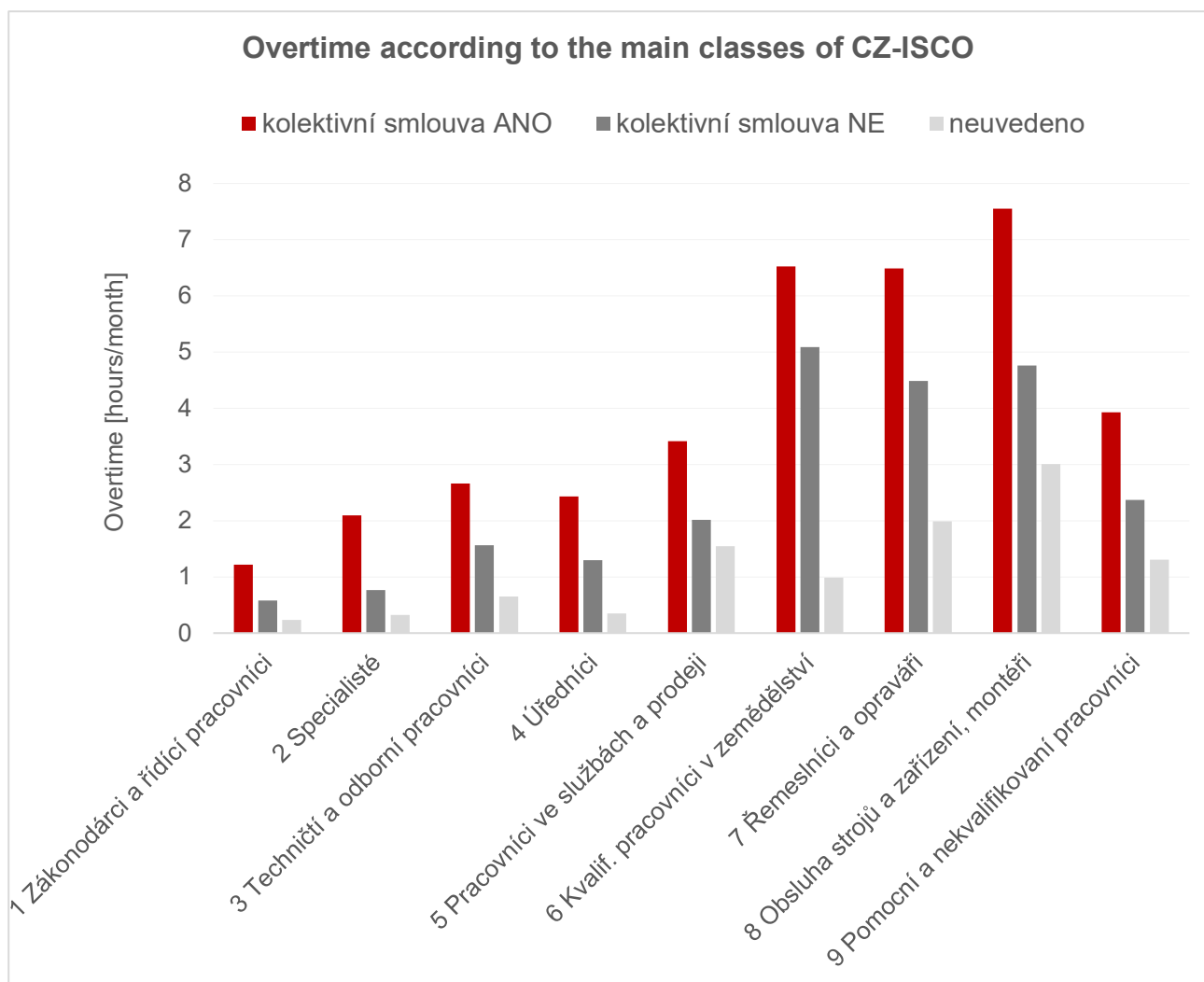


Note: The item 'Other' includes paid hours worked under the agreed working time fund and another period for which employees are entitled to compensation for wages (excluding temporary incapacity to work due to illness).

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

The situation related to overtime work for individual jobs is indicated in the Picture 29. For all main job classes, a **greater number of hours of overtime work** is recorded for **employees covered by a collective agreement**. The picture also shows that the scope of overtime varies greatly according to the performed occupation. On average, in 2018, the **most overtime hours were reported for manual workers**, especially in machinery and equipment operation and fitters (8<sup>th</sup> main class according to the CZ-ISCO job classification), qualified workers in agriculture, forestry and the fishing industry (6<sup>th</sup> main class) and craftsmen and repairers (7<sup>th</sup> main class).

Picture 29: The overtime work by main job classes and existence of a collective agreement (Czech Republic, 2018)



Note: The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex. WITH a collective agreement; NO collective agreement; not given

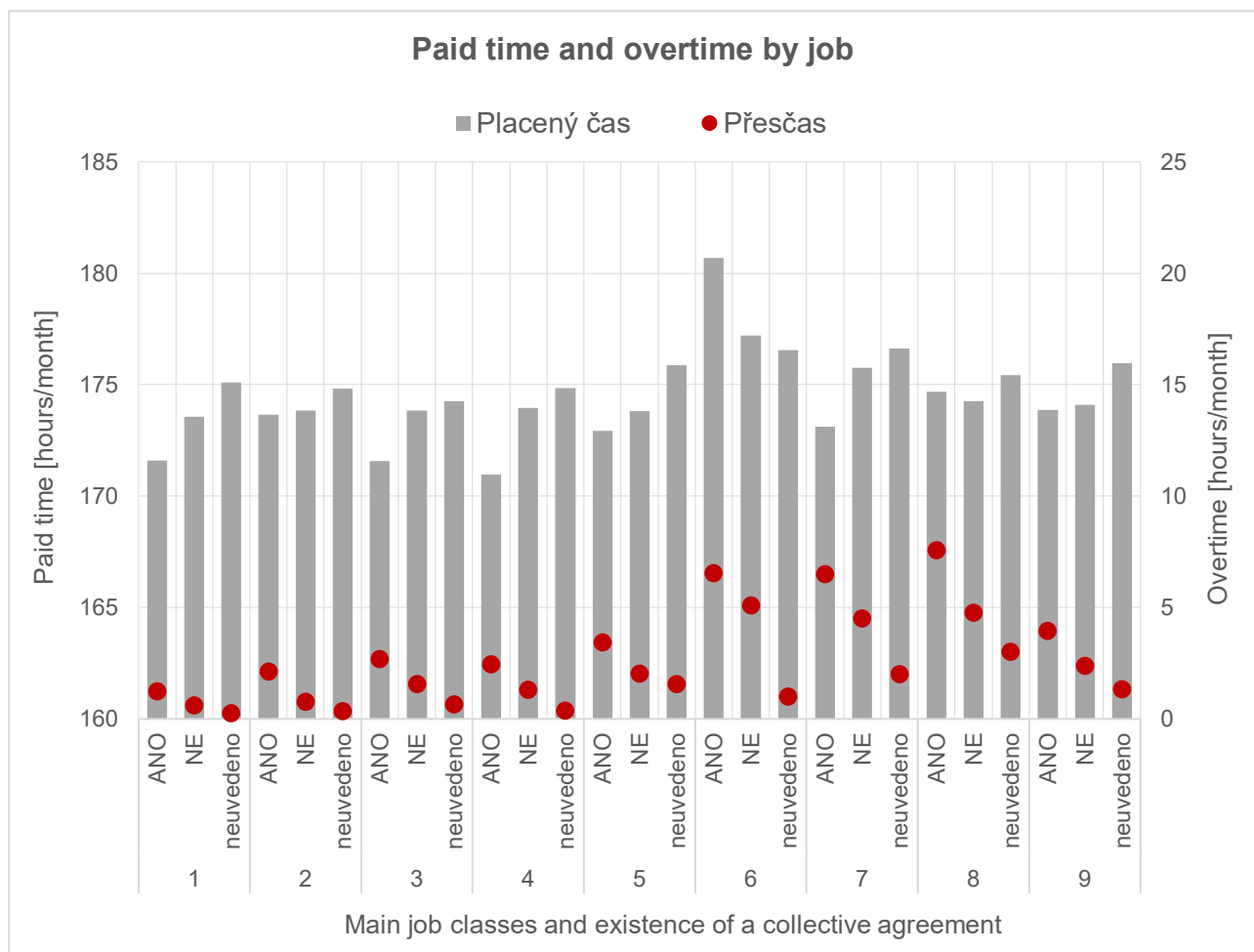
Source: ISAE (MLSA). The data are valid as of 19th July 2019.

1. Legislators and executive workers, 2. Specialists, 3. Technical and professional workers, 4. Officials,
5. Workers in services and sales, 6. Qualified workers in agriculture, 7. Craftsmen and repairers,
8. Operation of machinery and appliances, fitters, 9. Assistant and non-skilled workers

In 2018, the number of hours of paid overtime for mental workers was a half less compared to manual workers. In the context of this finding, however, it must be stressed that the extent of recorded overtime does not indicate the actual extent of overtime, but an employer's attitude to their employees. Thus, mental workers can work overtime on a similar scale to manual workers, but without being recorded in their case (whether in accordance with the law, e.g. in overtime arrangements in an employment contract or in violation of applicable legislation).

The results above suggest that, even in case of individual jobs, employees covered by a collective agreement are seemingly in a worse position in the labour market in terms of overtime work. The Picture 30 therefore links overtime work to total paid time.

Picture 30: The scope of paid time and overtime by job and existence of a collective agreement (Czech Republic, 2018)

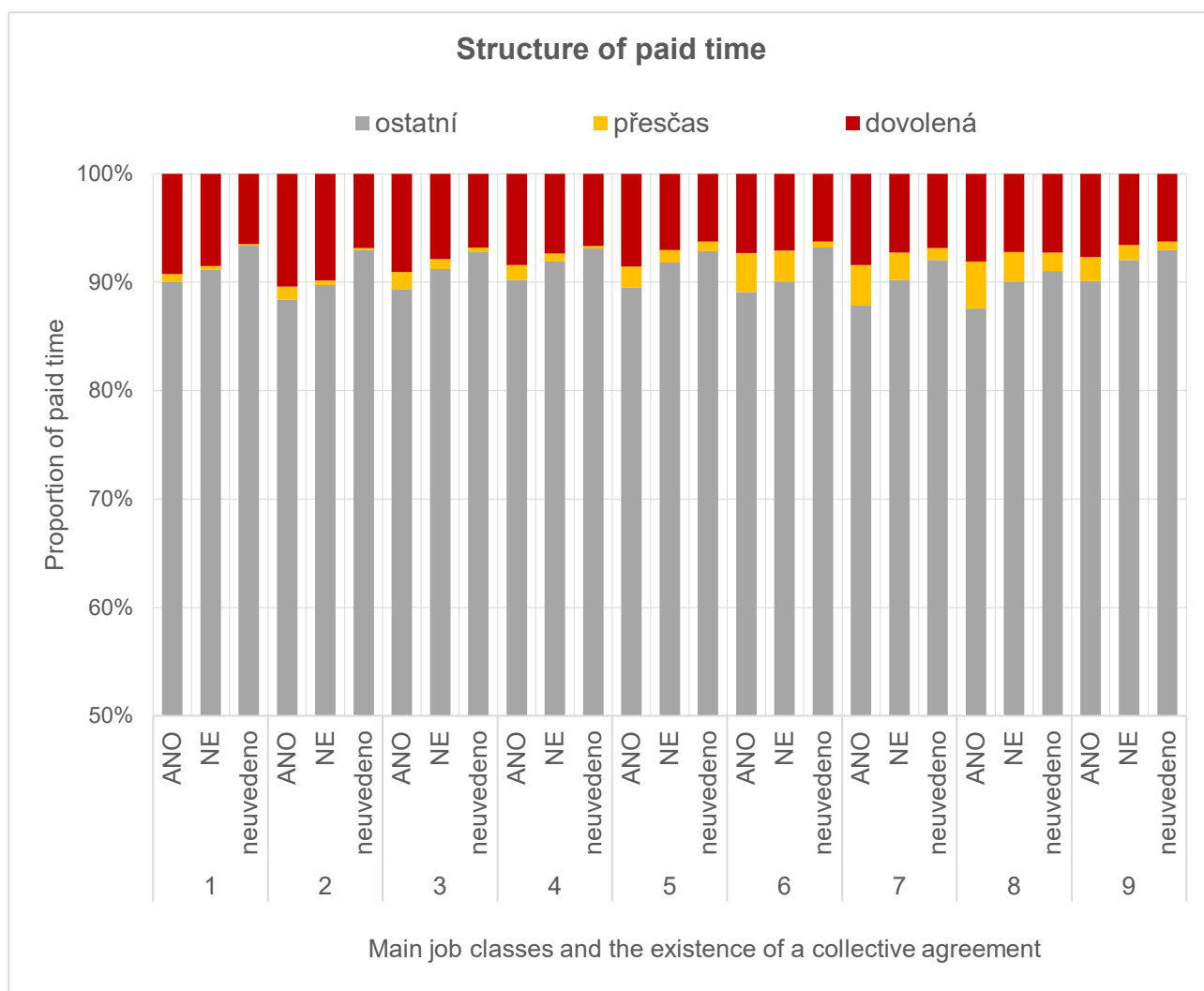


Note: The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex. Paid time; Overtime; YES; NO; not given

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

The above picture clearly shows that **employees covered by a collective agreement** show **a lower extent of paid time**, even though they are characterised by a higher range of recorded overtime. This result is valid in all main job classes. This corresponds to **the structure of paid time**, which is **more favourable to employees covered by a collective agreement** (see Picture 31). In 2018, employees covered by a collective agreement spent on average a higher proportion of paid leave and overtime, which were reimbursed or compensated by compensatory leave.

Picture 31: The structure of paid time by jobs and existence of a collective agreement (Czech Republic, 2018)



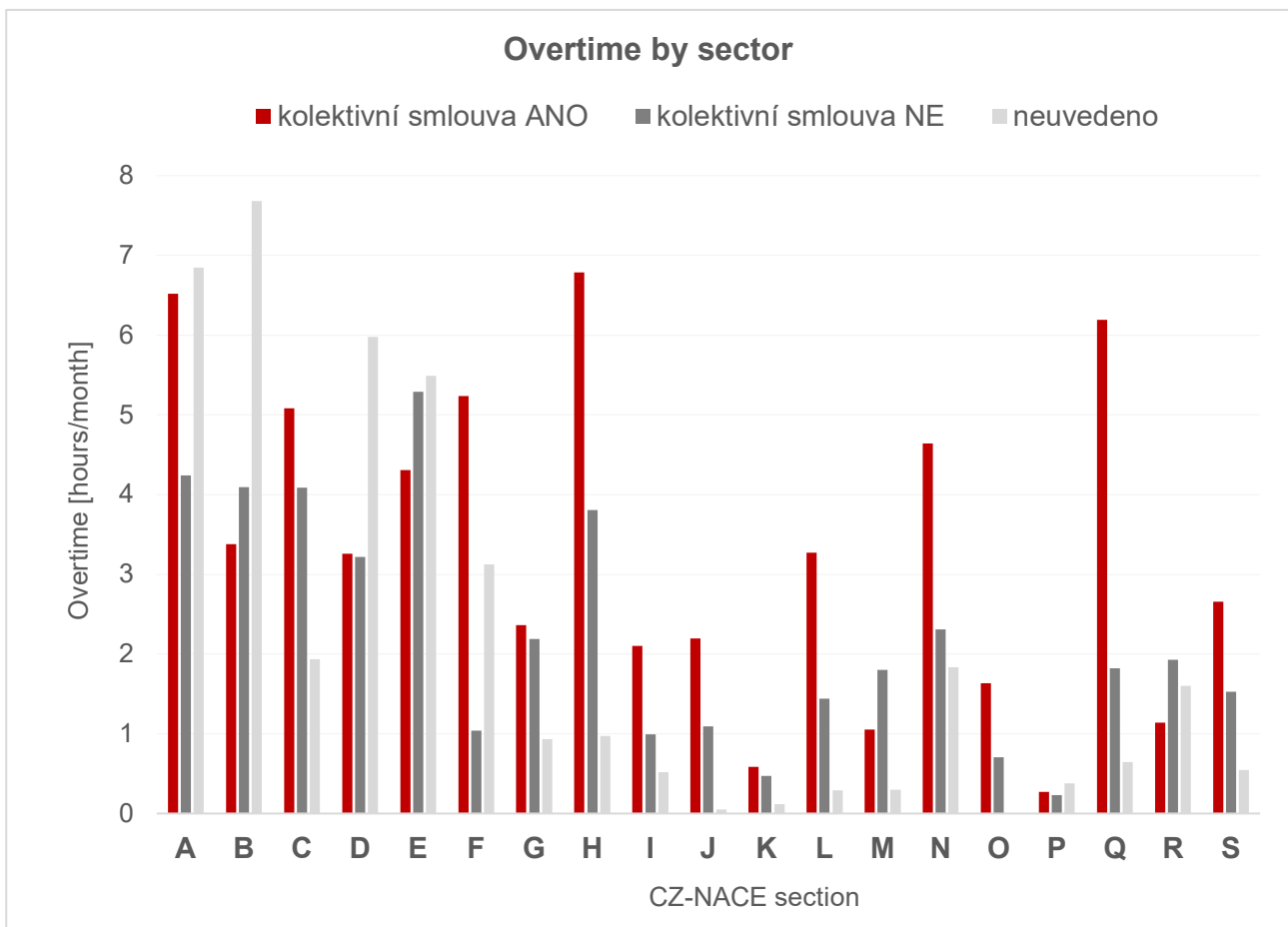
Note: The item 'Other' includes paid hours worked under the agreed working time fund and another period for which the employee is entitled to a compensation for wages (excluding temporary incapacity to work due to illness). The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex.



Source: ISAE (MLSA). The data are valid as of 19th July 2019. Other; Overtime; Leave; YES; NO; not given

The differences in the extent of overtime work in each sector are illustrated in the Picture 32. **In case of most sectors, it is also true that overtime work is, on average, reimbursed or compensated by compensatory leave more often to employees covered by a collective agreement.**

Picture 32: The overtime work by sector and existence of a collective agreement (Czech Republic, 2018)

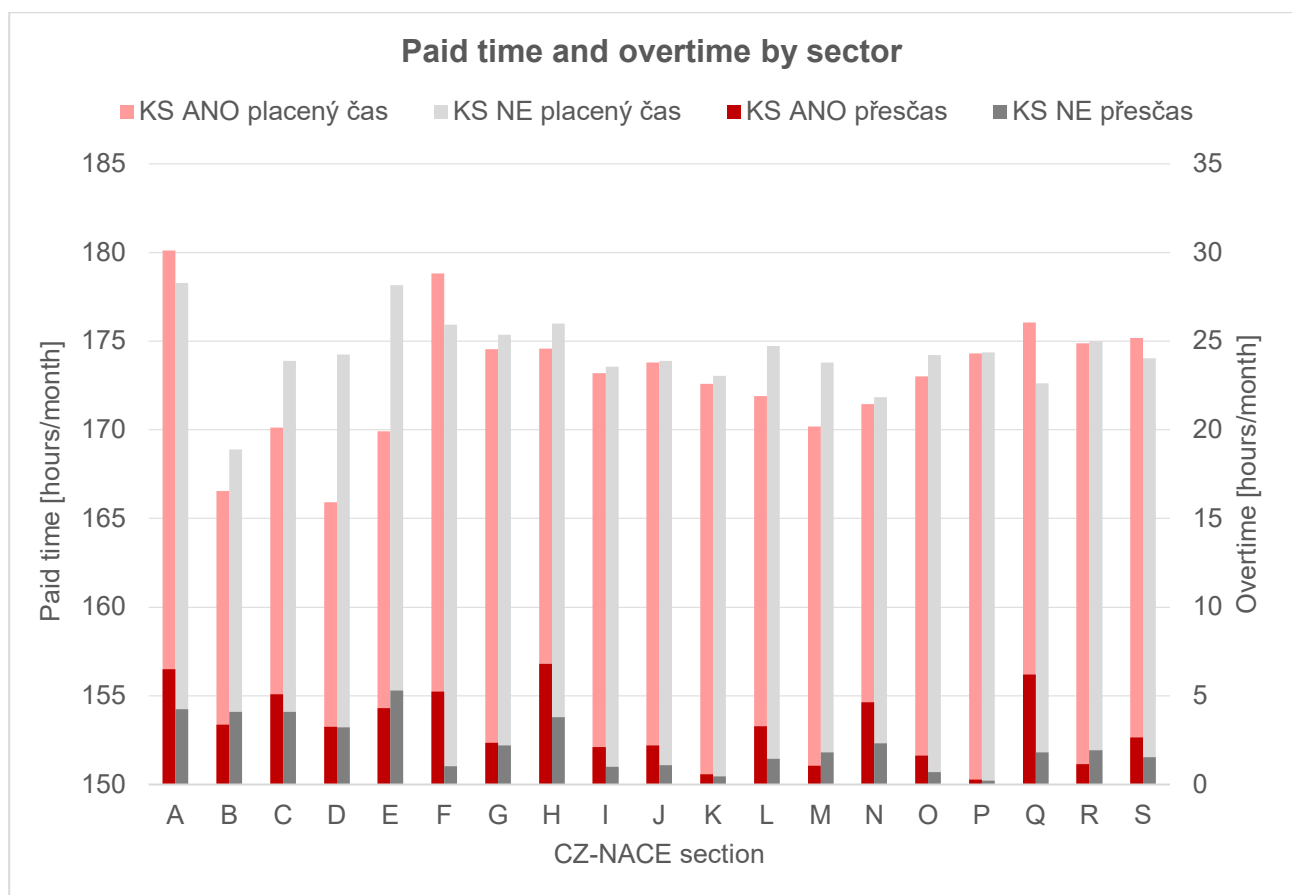


Note: The names of each section of the CZ-NACE classification are given in the Table I in the Annex.

Source: ISAE (MLSA). The data are valid as of 19th July 2019. WITH a collective agreement; NO collective agreement; Not given

However, as with gender or jobs, the higher scope of overtime does not automatically mean a worse position of employees. The Picture 33 demonstrates that in most sectors a **higher extent of overtime work is also associated with a lower scope of paid time**.

Picture 33: The scope of paid time and overtime by sector and existence of a collective agreement (Czech Republic, 2018)

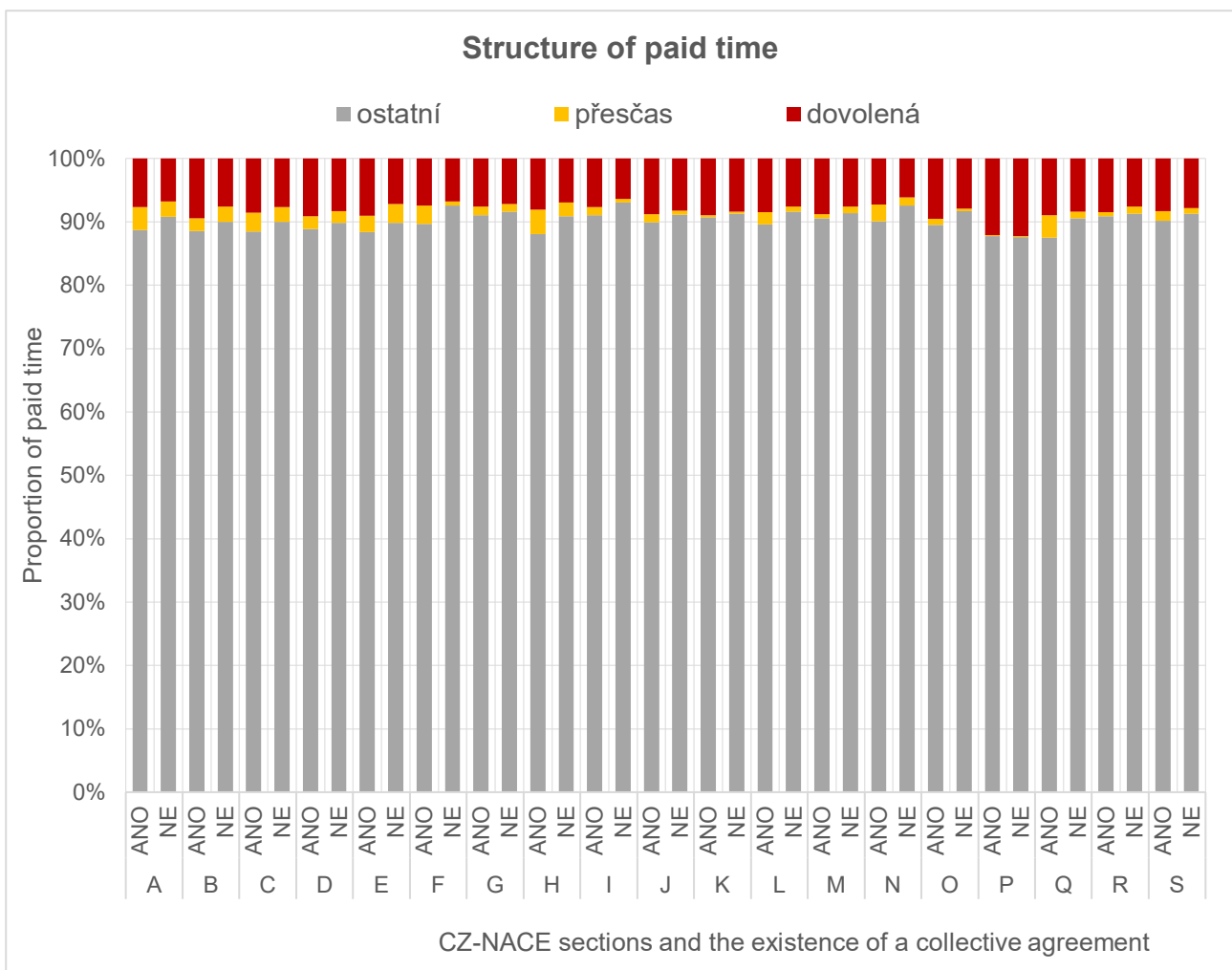


Note: "CA" represents a collective agreement. The data, per group of economic entities for which there is no indication of the existence of a collective agreement, are given in the Table III of the Annex. The names of each section in the CZ-NACE classification are given in the Table I in the Annex.

Source: ISAE (MLSA). The data are valid as of 19th July 2019. CA YES Paid Time; CA NO Paid Time; CA YES Overtime; CA NO Overtime

The structure of paid time in each sector in 2018 is shown in the Picture 34. The picture clearly shows that, also in case of sectors, in terms of the structure of paid time, employees covered by a collective agreement are in a more favourable position. For these employees, the proportion of leave and recorded overtime work is generally higher compared to their colleagues uncovered by a collective agreement.

Picture 34: The structure of paid time by sector and existence of a collective agreement (Czech Republic, 2018)



Note: The data, per group of economic entities for which there is no indication of the existence of a collective agreement, are given in the Table IV of the Annex. The names of each section in the CZ-NACE classification are given in the Table I in the Annex.

Source: ISAE (MLSA). The data are valid as of 19th July 2019. Other; Overtime; YES; NO

The apparent contradiction in terms of the position of employees covered by a collective agreement by overtime can be illustrated using the sector of transport and storing (Section H in the CZ-NACE classification). In this sector, employees are recorded to have one of the highest scopes of overtime, irrespective of the coverage by a collective agreement. In 2018, employees covered by a collective agreement worked an average of 7 hours of overtime a month in this sector. Employees without the protection of collective agreements worked an average of 4 hours of recorded overtime. If we look at the total extent of paid time, the position of employees according to the existence of a collective agreement differs fundamentally. For employees covered by a collective agreement, in 2018, the average paid time was 175 hours per month, while for employees without the protection of a collective agreement, it was 176 hours. The recorded overtime work for employees covered by a collective agreement amounted to 4% of the paid time, while for employees without a collective agreement only to 2%.

Thus, it is also confirmed in case of sectors that it is **not possible to assess the position of employees** covered and not covered by a collective agreement **solely based on the absolute values of reported overtime**. It is always necessary to evaluate any aspects related to overtime work and to **place the results into the context of paid time**.

## 3.2 Remuneration

In a job position quality evaluation, two criteria are most frequently considered – working time and the level of remuneration. The link between the level of pay for work and collective bargaining has been the subject of socio-economic research for decades. Many authors<sup>14</sup> point to the existence of **a wage premium received by workers employed in companies covered by collective agreements**. This premium varies by country for employees with the same qualifications at the level of tens of percent, i.e. employees covered by a collective agreement are paid higher wages compared to their colleagues without the protection of a

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<sup>14</sup> Freeman, R. B., Medoff, J. L. (1984). *What Do Labor Unions Do?* New York: Basic Books, 1984.

Linneman, P. D., Wachter, M. L., Carter, W. H. (1990). Evaluating the Evidence on Union Employment and Wages. *Industrial and Labor Relations Review*, 1990, Vol. 44, No. 1 (Oct., 1990), pp. 34-53.

Blanchflower, D., Bryson. A. (2002). Changes over Time in Union Relative Wage Effects in the UK and the US Revisited [NBER Working Paper No. 9395]. Cambridge, MA: National Bureau of Economic Research.

collective agreement. However, in the context of existence of a wage differential, some authors<sup>15</sup> point to a **reverse causality** in the relationship between the level of pay and the existence of a collective agreement. According to this group of authors, **trade unions** are formed **primarily in companies characterised by higher levels of remuneration for work and higher profitability** (i.e. mainly in companies with an above-average size and performance).

Given the clear link between the existence of a collective agreement and the level of remuneration in other countries, the main objective of this part will be to identify the differences between employees covered and uncovered by a collective agreement in the Czech Republic as well. The first subchapter will be devoted to the level of remuneration itself, whereas the second subchapter to the number of low-earning employees and employees remunerated with the minimum wage. It is thus necessary to evaluate the role of social dialogue – similarly to working hours – comprehensively, and therefore the analysis of the absolute level of remuneration will be complemented by an analysis of employee structure according to the amount of earnings.

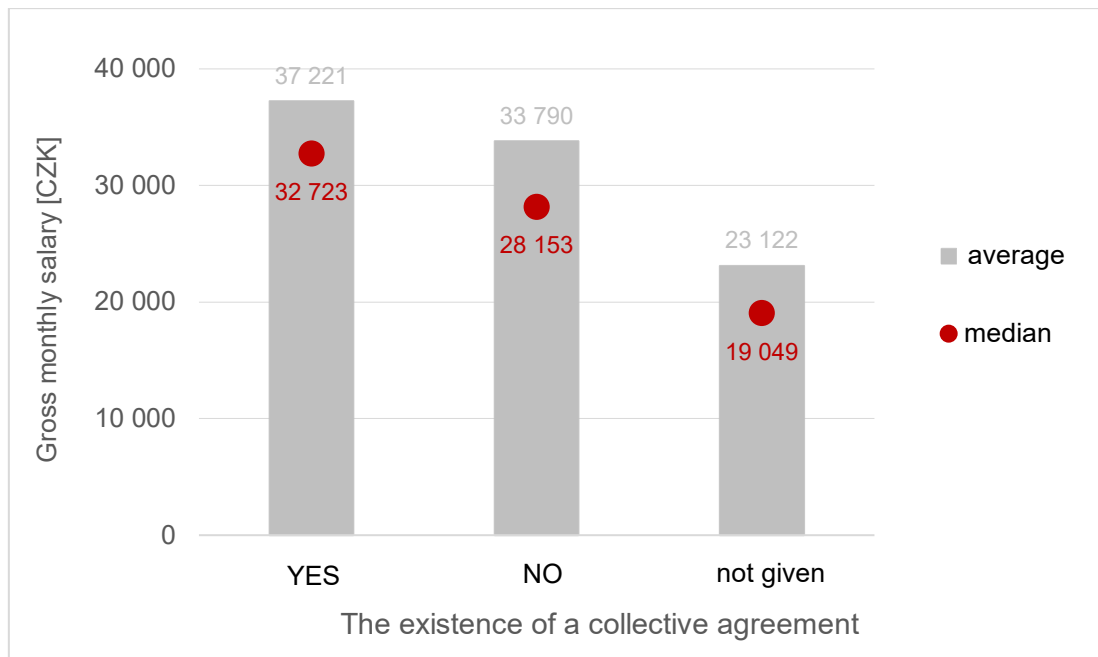
### 3.2.1 Level of remuneration

The level of remuneration for work by the existence of a collective agreement is illustrated in the Picture 35. The picture clearly shows that **employees covered by a collective agreement** achieved on average **a higher pay level** than their colleagues who were not involved in the collective agreement.

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<sup>15</sup> Sherk, J. (2009). What Unions Do: How Labor Unions Affect Jobs and the Economy. *Backgrounder*, The Heritage Foundation, Discussion Paper No. 2275.

Picture 35: The level of remuneration by the existence of a collective agreement (Czech Republic, 2018)

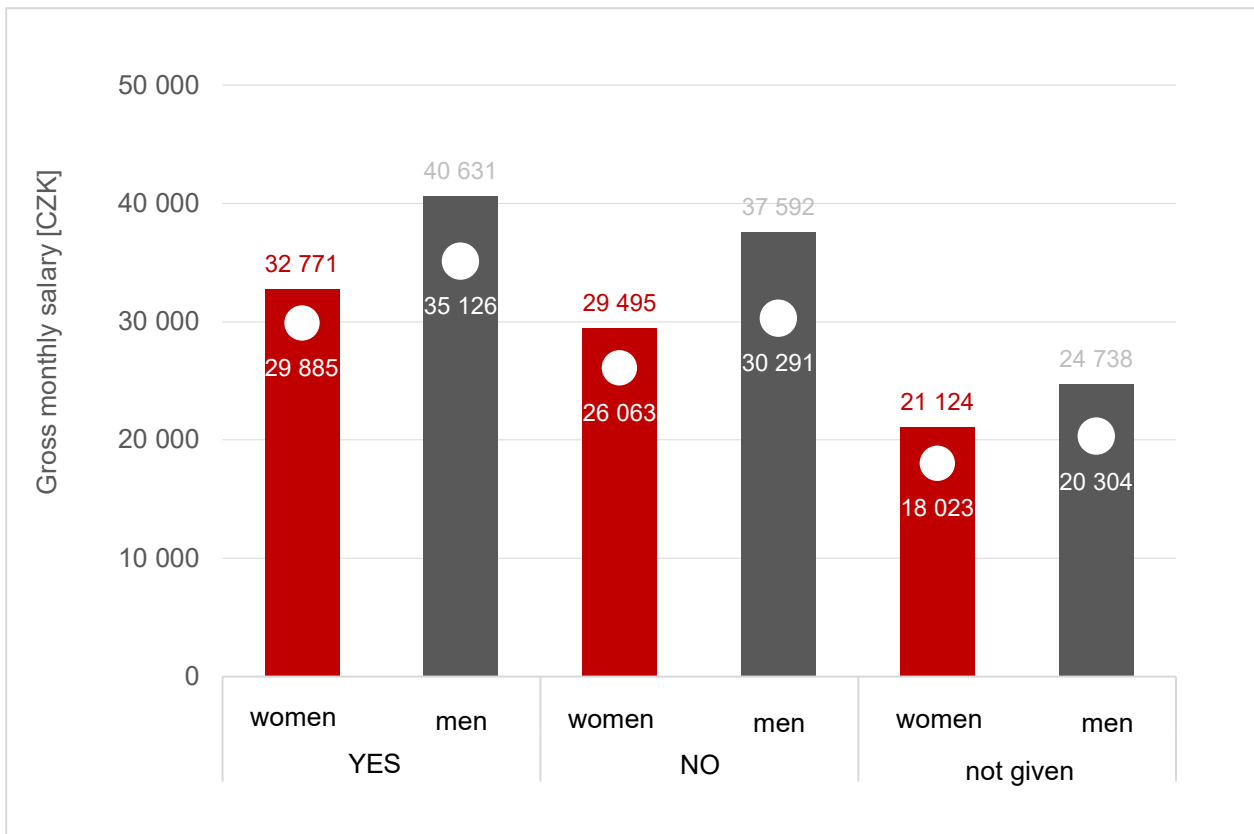


Source: The Czech Statistical Office (Employee payroll structure). The data are valid as of 19th July 2019. Average; Median;

On average, the difference between the two groups was CZK 3,431 in 2018 in favour of employees covered by a collective agreement. The picture above also shows that employees covered by a collective agreement also show a higher median level of gross monthly wages. The difference in favour of employees covered by a collective agreement was CZK 4,570 in the reference year. The median of gross monthly wage corresponds to the median employee's salary in the given group and is therefore – unlike the average – not distorted by extremely high or low values. Therefore, it is a more appropriate statistical characteristic to assess the differences between the two groups of employees.

The differences in the level of remuneration between employees covered and uncovered by a collective agreement are also present in case of genders. The Picture 36 shows that there are generally **large differences between men and women in terms of median pay levels**. However, these differences are **exacerbated by the existence of a collective agreement**. Both men and women covered by a collective agreement earned more in 2018 than their colleagues without the protection of a collective agreement.

Picture 36: The level of remuneration by the existence of a collective agreement and gender (Czech Republic, 2018)

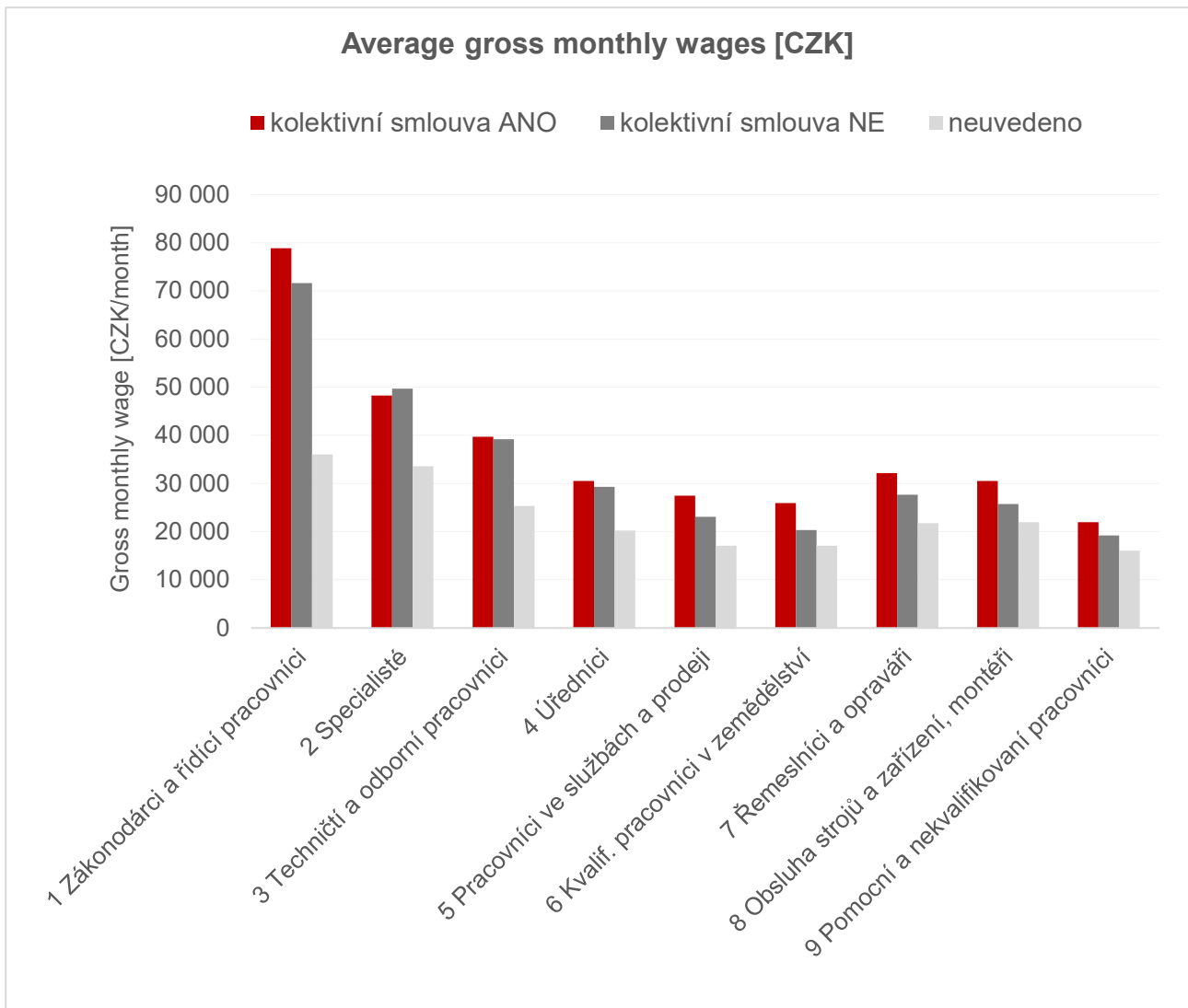


Source: The Czech Statistical Office (Employee payroll structure). The data are valid as of 19th July 2019.

**There is a similar situation to genders in case of individual jobs.** In 2018, employees working for economic entities covered by a collective agreement showed a higher level of remuneration, whether assessed through an average gross monthly wage (see Picture 37) or through a median gross monthly wage (see Picture 38).

The Picture 37 shows that the wage premium, given the existence of a collective agreement, varies in the particular main job classes.

Picture 37: The average gross monthly wages by the existence of a collective agreement and jobs (Czech Republic, 2018)



Note: The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex.

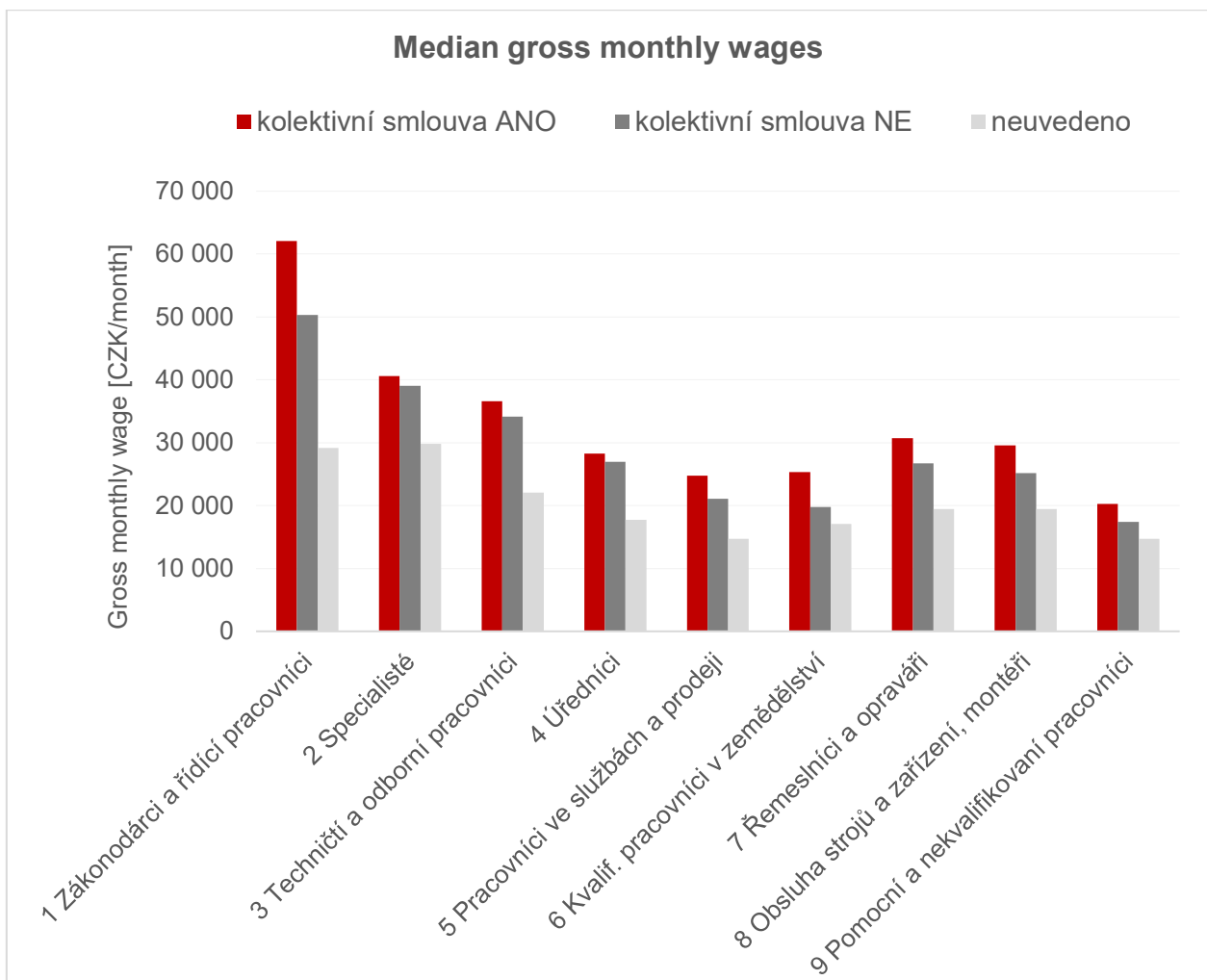
Source: ISAE (MLSA). The data are valid as of 19th July 2019. WITH a collective agreement; NO collective agreement; Not given

1. Legislators and executive workers, 2. Specialists, 3. Technical and professional workers, 4. Officials, 5. Workers in services and sales, 6. Qualified workers in agriculture, forestry and fishing industry, 7. Craftsmen and repairers, 8. Operation of machinery and appliances, fitters, 9. Assistant and non-skilled workers



The highest difference between the average wages of employees covered and uncovered by a collective agreement was in 2018 for legislators and executives (1<sup>st</sup> main class of the CZ-ISCO job classification), where this difference exceeded CZK 7,000. **The higher wage premium** was then identified mainly for **manual workers** (5-8<sup>th</sup> main job classes), for whom the wages of employees covered by a collective agreement were higher by an average of almost CZK 5,000. On the contrary, for specialists (2<sup>nd</sup> main class), the existence of a collective agreement plays almost no role, since the average wages of specialists covered by a collective agreement is on average CZK 1,500 lower than for their colleagues not covered by a collective agreement. Due to the limited informative ability of average values, the Picture 38 also shows the level of remuneration of individual jobs by the median gross monthly wage.

Picture 38: The median gross monthly wages by the existence of a collective agreement and jobs (Czech Republic, 2018)



Note: The full names of the main job classes in the CZ-ISCO classification are given in the Table II of the Annex.

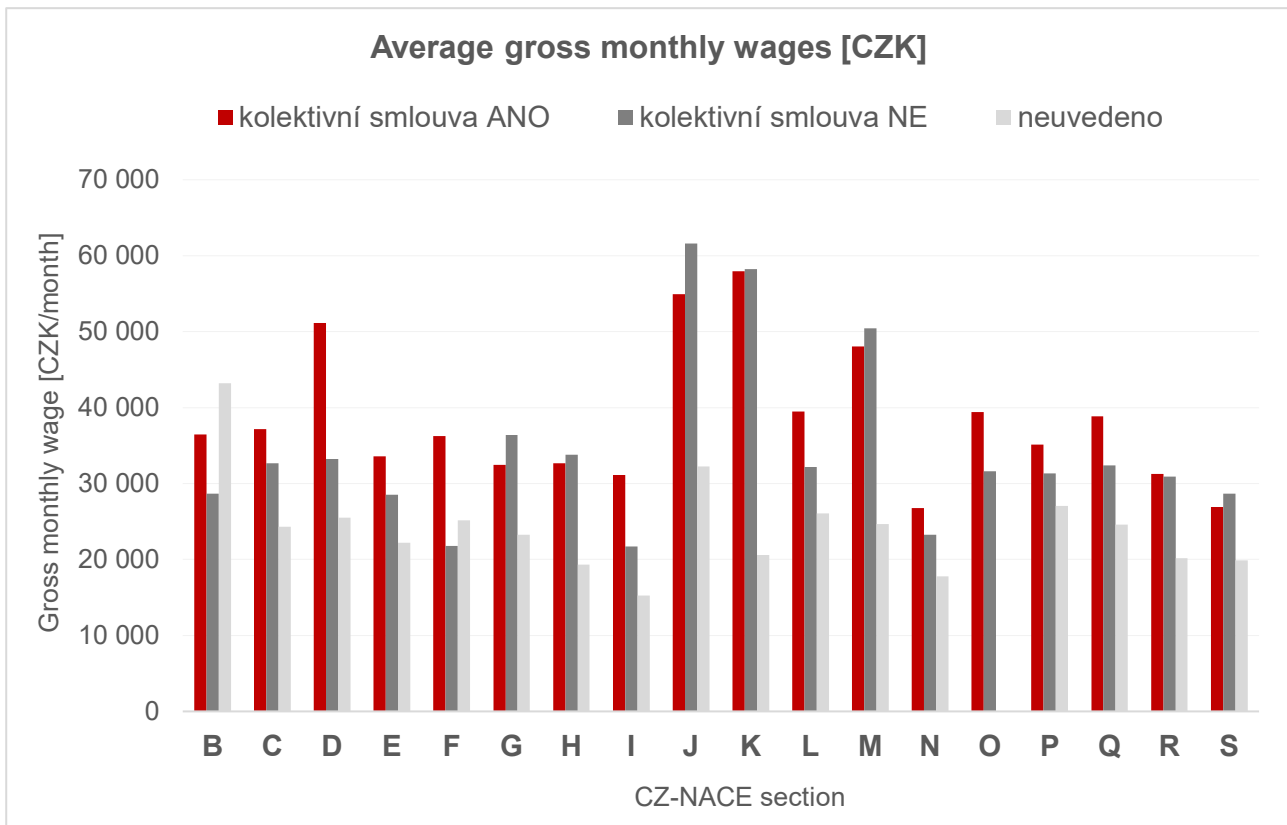
Source: ISAE (MLSA). The data are valid as of 19th July 2019. WITH a collective agreement; NO collective agreement; Not given

1. Legislators and executive workers, 2. Specialists, 3. Technical and professional workers, 4. Officials, 5. Workers in services and sales, 6. Qualified workers in agriculture, forestry and fishing industry, 7. Craftsmen and repairers, 8. Operation of machinery and appliances, fitters, 9. Assistant and non-skilled workers

For the median gross monthly wages, the highest wage premium is once again apparent for legislators and executives (1<sup>st</sup> main class), who are repeatedly followed primarily by manual workers. While mental workers covered by a collective agreement do not show such a high wage premium as manual workers, for all main classes, the median wage premium is positive (i.e. for the benefit of employees covered by a collective agreement). For specialists, the average wage is influenced in a very significant way by the extremely high earnings of employees performing this job. The influence of high earners is evident mainly in the group of employees not covered by a collective agreement.

The situation of remuneration in each sector is illustrated by the average gross monthly wages in the Picture 39. The picture shows that in **most sectors, employees covered by collective agreements achieve on average higher wages** than their colleagues without the protection of a collective agreement. **A lower (or no) wage premium** is achieved by employees covered by collective agreements, especially **in highly progressive sectors** – e.g. information and communication activities (Section J of the CZ-NACE classification).

Picture 39: The average gross monthly wages by the existence of a collective agreement and sectors (Czech Republic, 2018)

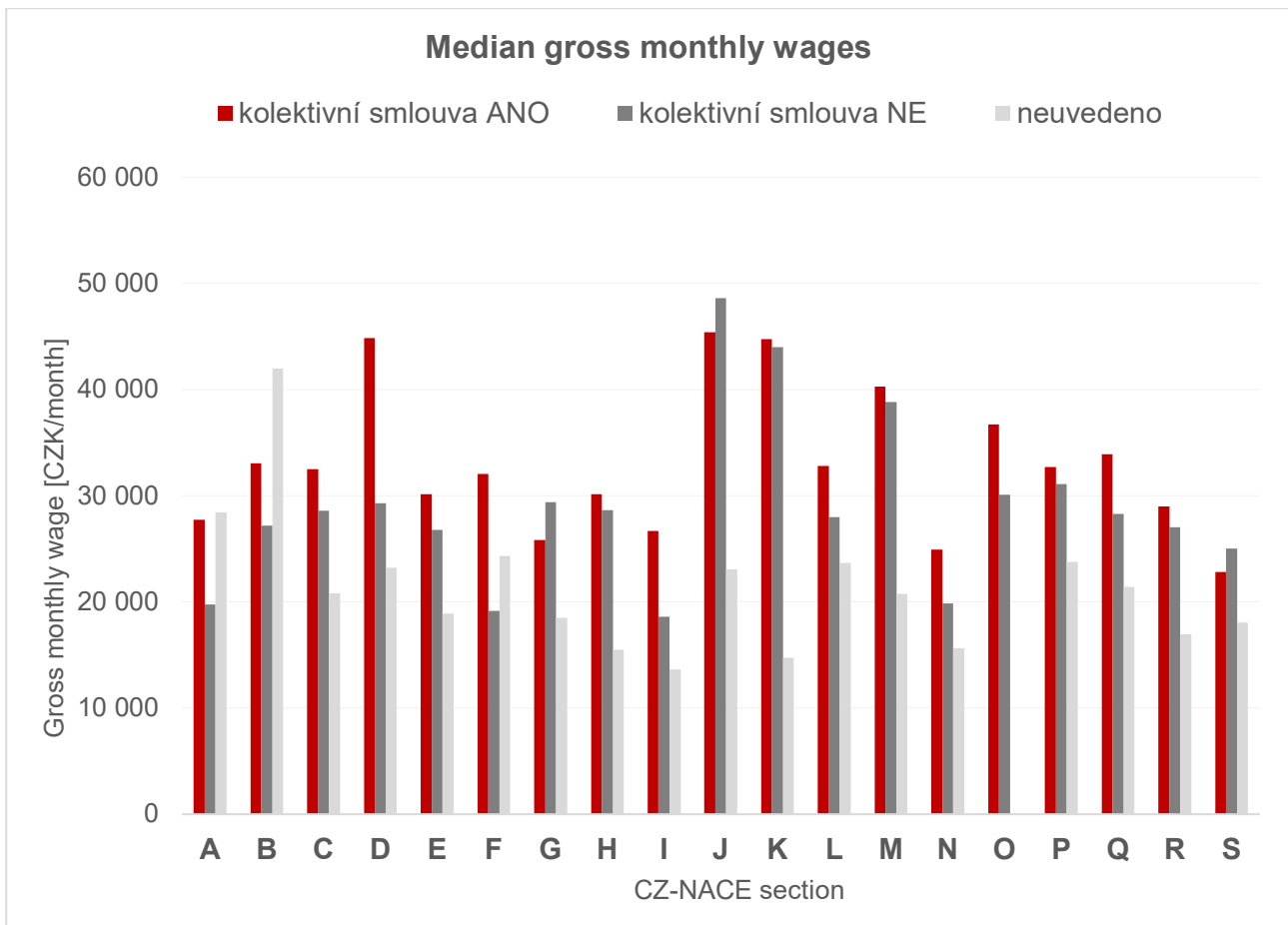


Note: The names of each section of the CZ-NACE classification are given in the Table I in the Annex.

Source: ISAE (MLSA). The data are valid as of 19th July 2019. WITH a collective agreement; NO collective agreement; Not given

Also for sectors, the evaluation of average wages is supplemented by results related to the median gross monthly wages. The Picture 40 demonstrates that the position of most sectors is not different even in median wages of employees in the given group. In other words, the wage premium remains highest for employees covered by a collective agreement in production and distribution of electricity, gas, heat and air-conditioned air (Section D) and, conversely, negative in information and communication activities (Section J). Collective bargaining thus ensures better conditions, especially for employees who work in traditional sectors.

Picture 40: The median gross monthly wages by the existence of a collective agreement and sectors (Czech Republic, 2018)



Note: The names of each section of the CZ-NACE classification are given in the Table I in the Annex.

Source: ISAE (MLSA). The data are valid as of 19th July 2019. WITH a collective agreement; NO collective agreement; Not given

### 3.2.2 Minimum wage and low earnings

It is necessary to supplement the data on the value of median wages (whether in the form of an average or in median values) with the information on the employee structure according to the amount of their wages. In this respect, the **number of employees with the lowest earnings is critical**, as these employees are at the highest risk of poverty. Worker poverty is a serious problem that requires increased attention. Such workers, **despite their efforts in the labour market, are unable to secure decent financial conditions** for their

households. In their case, active approach to work is therefore not rewarded with sufficient remuneration. For this reason, the following section will be devoted namely to those at the lower end of the wage distribution, i.e. the low earners.

The proportion low earners can be evaluated from several points of view. Based on the certified methodology "The assessment of the impact of the minimum wage on the socio-economic development of the Czech Republic" supported by the Technology Agency of the Czech Republic under the programme of applied social research and experimental development OMEGA (See chapter 1.2), the proportion of those whose remuneration for work is less than the **three threshold values** will be further monitored:

- i. *The minimum wage.* The minimum wage is determined by law as the lowest permissible remuneration for work of employees. The share of people with wages at the minimum wage level represents those who are most at risk in the labour market. In this income group, a higher concentration of those endangered by material deprivation can be assumed.
- ii. *1st decile of the wage division.* Employees whose wages are lower than the value of the first decile of the wage division belong to 10% of the lowest-paid employees.
- iii. *Two-third of the median gross monthly wage.* In international comparisons, the median gross monthly wage is often used as a reference value, with a value of 2/3 of the median wage being applied in relation to worker poverty. This value includes people who on the one hand do not receive the lowest wage in the labour market, but on the other hand, their wages are not enough to secure a decent life.

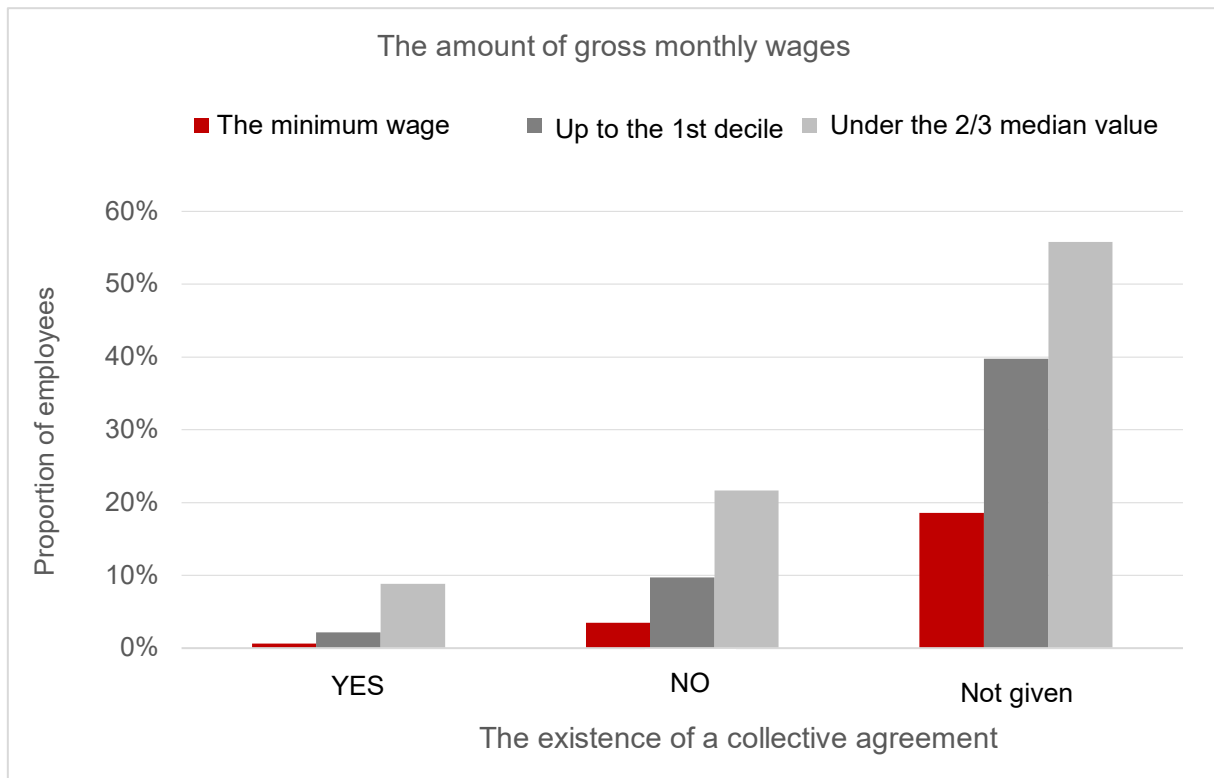
The share of the lowest-earning employees in the Czech Republic are illustrated in the Picture 41. It clearly shows that **in a group of employees covered by a collective agreement, the lowest earners account for a lower proportion** than in case of employees without the protection of a collective agreement. Employees with earnings at the minimum wage level (i.e. CZK 11,000) did not even represent 1% in the group under the protection of a collective agreement. Among employees without the protection of a collective agreement, 4% received the minimum wage in 2017. In a group of employees without information on the existence of a collective agreement, the share was 19%.

If we look at the structure of earnings linked to the first decile of gross monthly wages (CZK 14,106), we can see similar trends as for the minimum wage. In 2017, only 2% of the employees covered by a collective agreement received lower wages than CZK 14,000, while for employees without a collective agreement, earnings of less than CZK 14,000 regarded a tenth of them. For employees without the information on the existence of a collective agreement, wages lower than the first decile were received by as many as 40%.

The situation is very similar also in measurement of employee earnings with the 2/3 median gross monthly wages (CZK 17,895). In the group of employees covered by a collective agreement, every tenth employee received wages of less than CZK 18,000, in the group without the existence of a collective agreement, one in five employees and in the group

without information on the protection of a collective agreement, it was every second employee.

Picture 41: The number of low-earning employees in the wage sector 2017 by the existence of a collective agreement

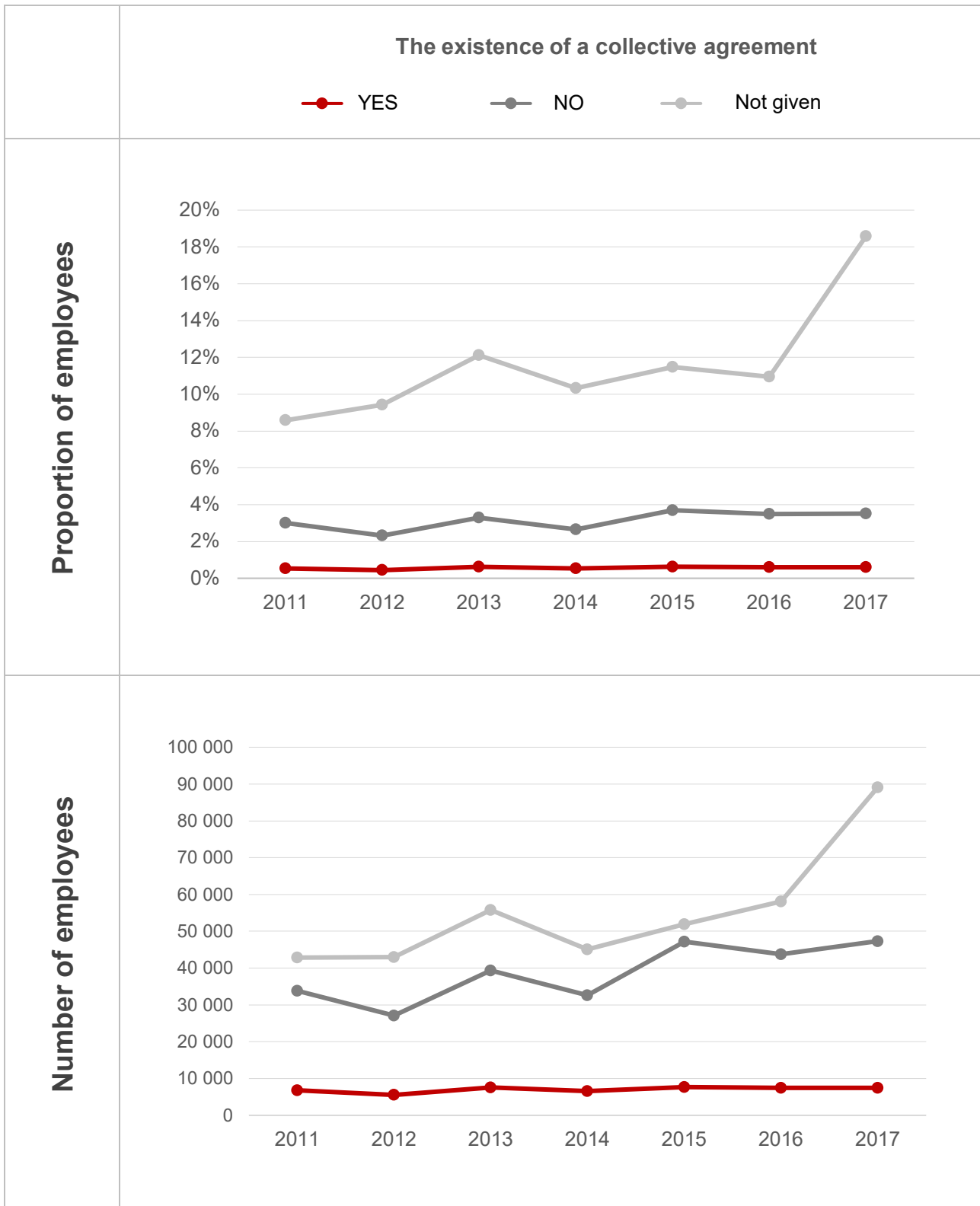


Note: Calculated using the project methodology No. TD010171 “Impact of the Minimum Wage on the Socio-economic Development of the Czech Republic” financed by the Technology Agency of the Czech Republic within the OMEGA programme.

Source: ISAE (MLSA), TREXIMA

In connection with **raising the minimum wage, the proportion of low earners also increases** in the economy. In fact, businesses are often unable to respond quickly to the jump in the minimum wage and employees cumulate at the lower end of the wage distribution (i.e. low earnings). The Picture 42 clearly shows that in the Czech Republic, this **problem concerns mainly employees without the protection of a collective agreement.**

Picture 42: The number of employees in the wage sector with the minimum wage in 2010-2017 by the existence of a collective agreement



Note: Calculated according to the project methodology No. TD010171 "Impact of the Minimum Wage on the Socio-economic Development of the Czech Republic" financed by the Technology Agency of the Czech Republic within the OMEGA programme. YES; NO; not given



Source: ISAE (MLSA), TREXIMA YES

### 3.2.3 Regression model

In terms of existence of a collective agreement, the analysis of differences in the level of selected indicators provides initial information on the differences between the two groups of employees. However, the disparity between the groups also reflects the influence of other factors, such as a different size structure of the economic entities employing these employees, a different educational structure of employees covered and uncovered by a collective agreement, a different structure in terms of the performed job or by sector. The structure of employees by gender or region also plays a major role. To simplify, the difference between a group of employees covered by a collective agreement and a group of employees without the protection of a collective agreement merely indicates the advantageous position of one of the groups, but the real existence of that difference must be confirmed by more sophisticated methods to purify the influence of other variables mentioned above.

A regression model was created to demonstrate the impact of collective bargaining on the level of remuneration. However, in view of the findings presented in the previous part, the impact of the existence of a collective agreement was observed separately for mental and manual workers. **For mental workers** (classified as 1<sup>st</sup>-5<sup>th</sup> main job classes), the results indicated **a zero or negative wage premium** associated with the existence of a collective agreement, whereas **for manual workers** (classified in the 6<sup>th</sup>-9<sup>th</sup> main job classes) **the wage premium was positive**. The results of the regression model in the mental worker group are shown in the Picture 43, while for the group of manual workers in the EDUCATION Secondary without the leaving exam Secondary with the leaving exam Higher vocational and bachelor education Higher education

Sector

Gender  
Women

Region

Central Bohemian  
South Bohemian  
Pilsen  
Carlsbad  
Ústí  
Liberec  
Hradec Králové  
Pardubice  
South Moravian

Vysočina  
Olomouc  
Moravian-Silesian  
Zlín  
10-49 employees  
50-249 employees  
250-999 employees  
1,000 and more employees

Picture 44. For greater clarity, the results are summarized also in the Table 1. All the results strongly confirm the original hypothesis – for manual workers, thanks to collective bargaining there is a higher level of wages, while the wage premium has not been demonstrated for mental workers. In case of mental workers, the impact of collective bargaining is thus questionable, and it would be appropriate to apply a more detailed analysis of this issue.

Table 1: The impact of existence of a collective agreement on the level of wages of mental and manual workers (results of the regression model)

The variable	Mental workers (1 <sup>st</sup> -5 <sup>th</sup> main class of CZ-ISCO)	Manual workers (6 <sup>th</sup> -9 <sup>th</sup> main class of CZ-ISCO)
	The effect on the level of pay	
Gender	Men ↑ Women ↓	Men ↑ Women ↓
Educational attainment	↑	↑
Qualification demands of the job	↑	↑
Size of the economic entity	↑	↑
Existence of a collective agreement	↓	↑

Source: ISAE (MLSA), TREXIMA

Picture 43: The gross monthly wage (ln) dependency of mental workers on the existence of a collective agreement and other variables

ln_mzda	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
Linear regression						
			Number of obs	=	922,744	
			F(46, 922697)	=	3001.00	
			Prob > F	=	0.0000	
			R-squared	=	0.5182	
			Root MSE	=	.37288	
kolsml_c						
kolsml_ano	-.0389856	.0029908	-13.03	0.000	-.0448475	-.0331236
VZDELANI_c						
Střední bez maturitou	.0580289	.0052165	11.12	0.000	.0478047	.068253
Střední s maturitou	.1733413	.0051884	33.41	0.000	.1631721	.1835104
Vyšší odborné a bakalářské	.2520366	.0065717	38.35	0.000	.2391563	.2649169
Vysokoškolské	.4098592	.0062263	65.83	0.000	.3976559	.4220625
CZISCO						
2	-.2716643	.0080349	-33.81	0.000	-.2874125	-.2559162
3	-.4079202	.0081476	-50.07	0.000	-.4238892	-.3919512
4	-.5654346	.0085187	-66.38	0.000	-.5821309	-.5487382
5	-.705565	.0087395	-80.73	0.000	-.7226941	-.6884359
odvětví_c						
B	.105215	.0166046	6.34	0.000	.0726706	.1377595
C	.1361271	.0154283	8.82	0.000	.1058881	.166366
D	.2109688	.0158213	13.33	0.000	.1799595	.2419781
E	.0081435	.0174516	0.47	0.641	-.0260611	.042348
F	.0576347	.0191181	3.01	0.003	.0201639	.0951054
G	.1447811	.0156072	9.28	0.000	.1141915	.1753707
H	.0356975	.0158368	2.25	0.024	.0046578	.0667371
I	-.0624433	.0175835	-3.55	0.000	-.0969064	-.0279802
J	.2416308	.0159795	15.12	0.000	.2103115	.2729501
K	.2069259	.0156935	13.19	0.000	.1761671	.2376847
L	.1379006	.0252542	5.46	0.000	.0884033	.1873979
M	.1466649	.0161922	9.06	0.000	.1149287	.1784011
N	-.1818564	.0162786	-11.17	0.000	-.213762	-.1499508
O	.0997844	.0156406	6.38	0.000	.0691293	.1304395
P	-.0571354	.0156295	-3.66	0.000	-.0877686	-.0265022
Q	.0762761	.0153683	4.96	0.000	.0461547	.1063975
R	.0753421	.0174957	4.31	0.000	.0410511	.1096331
S	-.0693404	.0169516	-4.09	0.000	-.102565	-.0361158
DOBAZAM	.0062916	.0002176	28.92	0.000	.0058652	.0067181
pohlaví						
ženy	-.1895172	.0026633	-71.16	0.000	-.1947371	-.1842973
kraj						
Středočeský	.006289	.0049444	1.27	0.203	-.0034019	.0159799
Jihočeský	-.0809754	.0077086	-10.50	0.000	-.096084	-.0658668
Plzeňský	-.0658656	.0061249	-10.75	0.000	-.0778702	-.053861
Karlovarský	-.0490265	.0109679	-4.47	0.000	-.0705231	-.0275298
Ústecký	-.0516885	.0074116	-6.97	0.000	-.0662149	-.037162
Liberecký	-.0435654	.0093512	-4.66	0.000	-.0618935	-.0252373
Královéhradecký	-.134571	.0070597	-19.06	0.000	-.1484078	-.1207342
Pardubický	-.1190781	.007231	-16.47	0.000	-.1332506	-.1049055
Jihomoravský	-.1022289	.0049687	-20.57	0.000	-.1119673	-.0924905
Vysočina	-.0924138	.00843	-10.96	0.000	-.1089364	-.0758913
Olomoucký	-.167764	.0074844	-22.42	0.000	-.1824332	-.1530947
Moravskoslezský	-.1588817	.0061239	-25.94	0.000	-.1708843	-.1468791
Zlínský	-.1511304	.0066498	-22.73	0.000	-.1641638	-.1380969
velKatVaz_HMM						
10-49 zaměstnanců	.3302255	.0205694	16.05	0.000	.2899102	.3705408
50-249 zaměstnanců	.4707628	.0200597	23.47	0.000	.4314465	.5100791
250-999 zaměstnanců	.5229163	.020111	26.00	0.000	.4834995	.5623332
1000 a více zaměstnanců	.5401094	.0202104	26.72	0.000	.5004978	.5797211
_cons	10.23986	.0275092	372.23	0.000	10.18594	10.29377

Source: ISAE (MLSA), TREXIMA

EDUCATION

Secondary without the leaving exam

Secondary with the leaving exam

Higher vocational and bachelor education

Higher education

Sector

Gender

Women

Region

Central Bohemian

South Bohemian

Pilsen

Carlsbad

Ústí

Liberec

Hradec Králové

Pardubice

South Moravian

Vysočina

Olomouc

Moravian-Silesian

Zlín

10-49 employees

50-249 employees

250-999 employees

1,000 and more employees

Picture 44: The gross monthly wage dependency (ln) of manual workers on the existence of a collective agreement and other variables

Linear regression

Number of obs	=	729,379
F(45, 729333)	=	2571.57
Prob > F	=	0.0000
R-squared	=	0.4314
Root MSE	=	.25806

ln_mzda	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
kolmsml_c kolmsml_ano	.007861	.0030331	2.59	0.010	.0019162	.0138059
VZDELANI_c Střední bez maturity	.0612188	.0029152	21.00	0.000	.0555052	.0669324
Střední s maturitou	.1198955	.0033633	35.65	0.000	.1133035	.1264874
Vyšší odborné a bakalářské	.101743	.0132508	7.68	0.000	.0757719	.127714
Vysokoškolské	.1628101	.0184458	8.83	0.000	.126657	.1989632
CZISCO 7	.0227378	.0134457	1.69	0.091	-.0036154	.049091
8	-.0007976	.0132864	-0.06	0.952	-.0268385	.0252434
9	-.1546637	.0133438	-11.59	0.000	-.1808172	-.1285102
odvětví_c B	-.0521275	.0112231	-4.64	0.000	-.0741245	-.0301305
C	-.0107597	.0095234	-1.13	0.259	-.0294252	.0079058
D	.0706726	.0100077	7.06	0.000	.0510578	.0902873
E	-.0635602	.010147	-6.26	0.000	-.083448	-.0436723
F	-.0491577	.0115013	-4.27	0.000	-.0716999	-.0266155
G	-.0416653	.0101754	-4.09	0.000	-.0616087	-.0217218
H	-.0988779	.0097067	-10.19	0.000	-.1179027	-.0798531
I	-.1608209	.0164411	-9.78	0.000	-.1930449	-.1285969
J	.0174809	.0193415	0.90	0.366	-.0204278	.0553897
K	.0103777	.0205941	0.50	0.614	-.0299861	.0507415
L	-.0504314	.0227496	-2.22	0.027	-.0950198	-.0058843
M	-.0203828	.0167502	-1.22	0.224	-.0532126	.0124469
N	-.2329155	.0103069	-22.60	0.000	-.2531166	-.2127143
O	-.0976325	.0244079	-4.00	0.000	-.1454712	-.0497939
P	-.3137772	.0134239	-23.37	0.000	-.3400875	-.2874669
Q	-.2550221	.0115728	-22.04	0.000	-.2777044	-.2323399
R	-.0182211	.0157965	-1.15	0.249	-.0491817	.0127395
S	-.2005458	.0129316	-15.51	0.000	-.2258913	-.1752003
DOBAZAM	.0034178	.0002302	14.85	0.000	.0029667	.0038689
pohlavi ženy	-.2150834	.0021314	-100.91	0.000	-.219261	-.2109059
kraj Středočeský	.1038104	.0045729	22.70	0.000	.0948477	.1127731
Jihočeský	.0037845	.0063705	0.59	0.552	-.0087016	.0162705
Plzeňský	.0340228	.0050019	6.80	0.000	.0242191	.0438264
Karlovarský	-.0091889	.0071241	-1.29	0.197	-.0231519	.0047741
Ústecký	.0116441	.005355	2.17	0.030	.0011485	.0221397
Liberecký	-.0130055	.0069982	-1.86	0.063	-.0267217	.0007107
Královéhradecký	-.0276627	.0052775	-5.24	0.000	-.0380065	-.0173189
Pardubický	-.0298228	.0054711	-5.45	0.000	-.040546	-.0190997
Jihomoravský	-.0074342	.005193	-1.43	0.152	-.0176123	.0027438
Vysočina	-.0312319	.0052437	-5.96	0.000	-.0415093	-.0209544
Olomoucký	-.0290467	.0056362	-5.15	0.000	-.0400936	-.0179999
Moravskoslezský	-.0639649	.0042181	-15.16	0.000	-.0722324	-.0556975
Zlínský	-.0027019	.0054874	-0.49	0.622	-.0134569	.0080532
velKatVaz_HMM 10-49 zaměstnanců	.3522125	.0148165	23.77	0.000	.3231727	.3812524
50-249 zaměstnanců	.4401179	.0146624	30.02	0.000	.4113801	.4688556
250-999 zaměstnanců	.5212999	.0150776	34.57	0.000	.4917482	.5508516
1000 a více zaměstnanců	.6428945	.0154636	41.57	0.000	.6125864	.6732027
_cons	9.732487	.0182513	533.25	0.000	9.696715	9.768258

Source: ISAE (MLSA), TREXIMA

EDUCATION

Secondary without the leaving exam

Secondary with the leaving exam

Higher vocational and bachelor education

Higher education

Sector

Gender

Women

Region

Central Bohemian

South Bohemian

Pilsen

Carlsbad

Ústí

Liberec

Hradec Králové

Pardubice

South Moravian

Vysočina

Olomouc

Moravian-Silesian

Zlín

10-49 employees

50-249 employees

250-999 employees

1,000 and more employees

## 4 New problems and roles of the social dialogue

The results of collective bargaining primarily contribute to improvement of the situation of employees under the protection of a collective agreement. The secondary effect is the transfer of positive effects related to the social dialogue and to other employees who are employed by economic entities not covered by a collective agreement. In many developed and developing countries, the **social dialogue** acts as a **safeguard** in terms of compliance with applicable laws, it **protects employees** from enormous workload and often participates in defining the levels of remuneration (primarily through the institute of the minimum and guaranteed wage). **In recent years**, however, with advancing automation and digitization, new problems have emerged that cannot be intercepted – and often also resolved – by traditional tools. In all sectors, **production is accelerating**, and **product offer** is becoming **individualised**, which is **also reflected in the higher pressure on employees** or in the increasing **individualisation of jobs**. As a result, the job contents of traditional jobs in the labour market are changing and new occupations or new forms of employment emerge. It seems that in the coming years, the attention of trade unions should be concentrated mainly on these areas. For this reason, this chapter will focus on **identifying the main issues** and correspondent new forms of activation and other **measures** that would help to **maintain the balance of interests of employees and employers**, even at a time of advancing digitisation and automation. For greater clarity, a separate chapter is devoted to each of the partial issues.

### 4.1 The risk of unemployment

According to estimates by the Organisation for Economic Cooperation and Development (OECD), **staff turnover varies between 9% and 32%**<sup>16</sup> in individual countries, i.e. at least a tenth to a third of employees change the employer during the reference year or leave the labour market – either temporarily (e.g. due to parental leave, unemployment) or permanently (e.g. owing to disability or old age pension). **Out of the total turnover, 9% to 36%** then represent **employees** who have been **made redundant for reasons caused by the employer**. Studies<sup>17</sup> show that employers make their employees redundant throughout

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<sup>16</sup> OECD (2013). *Back to Work: Re-employment, Earnings and Skill Use after Job Displacement*. OECD, Paris. Available at: <http://www.oecd.org/employment/emp/Backtowork-report.pdf>

<sup>17</sup> Davis, S. J.; Haltiwanger, J. C.; Schuh, S. (1996). *Job Creation and Destruction*. Cambridge, MA: The MIT Press, 1996.

the whole economic cycle, but in the recession, the proportion of laid-off employees increases. For obvious reasons, most employees fear this situation, but **changing jobs** is not uncommon and is a **standard phenomenon in the labour market**.

**The threat of a job loss** (whether real or presumed) has **increased** in recent years, as advancing **automation and digitisation** bring numerous major or minor changes, which are often unpredictable in the long term, and therefore, appropriate preparation for them becomes difficult. Many employees also demonstrate fear of the new and unknown, which is also linked to worries of their own failure in a highly digitised economy. In addition, elderly employees also face problems related to the **introduction of new terminology**, which the younger generations are highly familiar with. The new notions are often **anglicisms**, which further increases the **exclusion of elderly employees from the highly digitised labour market**. Although the study of foreign languages (and especially English) is nowadays supported at all stages of the educational system, the language skills in previous generations are worse due to the primary orientation of the socialist economy towards the Eastern bloc. These aspects also contribute to the fact that digitisation and automation can be a treat to many more elderly employees.

For this reason, an integral part of collective bargaining should be a discussion on measures that would help reduce the sense of threat to individual employees due to advancing digitisation and automation, or to bridge the intergenerational gap. In the context of the worker threat of job loss, the following measures should be introduced and the following forms of employee activation should be supported:

- ❖ **Appropriately defined educational system.** The results of employee surveys show that most of them are interested in further education related to new technologies. For many employees, however, the current training course offer does not meet their needs, with reasons often being a combination of the following problems:

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Faberman, R. J. (2005). Studying the Labor Market with the Job Openings and Labor Turnover Survey. *BLS WORKING PAPERS*, No. 388 (December 2005). U.S. Department of Labor, U.S. Bureau of Labor Statistics, Office of Employment and Unemployment Statistics. Available at: <https://www.bls.gov/osmr/research-papers/2005/pdf/ec050140.pdf>

Greenwood, J.; MacDonald, G. M.; Zhang, G. (1996). The Cyclical Behavior of Job Creation and Job Destruction: A Sectoral Model. *Economic Theory*. 1996, Vol. 7, No. 1, p. 95–112.

Haltiwanger, J., Scarpetta, S., Schweiger, H. (2008). Assessing job flows across countries: The role of industry, firm size, and regulations [Working paper No. 13920], Cambridge, MA: NBER, 2008.

Mortensen, D. T. (1994). The Cyclical Behavior of Job and Worker Flows. *Journal of Economic Dynamics and Control*. 1994, Vol. 18, No. 6, p. 1121–42.

Schuh, S.; Triest, R. (1998). Job Reallocation and the Business Cycle: New Facts for an Old Debate. In: Fuhrer, J.; Schuh, S. (eds.). *Beyond Shocks: What Causes Business Cycles?* Boston: Federal Reserve Bank of Boston, 1998, pp. 271-337.



- the individuals are not familiar with the necessary terminology (i.e. they are unable to assess the content of the course and its benefits because they do not understand the unknown terms),
- the training courses expect at least some basic knowledge of working with new technologies (i.e. participation in a similar course subsequently completely demotivates the person from further attempts at education in this area),
- especially seniors, for whom new technologies are not a normal part of everyday life, suffer from greater fear of new things, of their own failure and of the damage of the technology;
- the offer of education is spatially segregated (i.e. it is broad in larger municipalities with a higher concentration of modern companies and, on the contrary, insufficient in smaller, difficult-to-reach locations),
- education in the field of modern technologies is very consuming in terms of time and finances.

Trade unions can strive to improve the overall focus of the educational system in the framework of the social dialogue at a national level. With regard to their main target group (i.e. employees), a more in-depth exploration of the current offer of education is necessary as well as its comparison to the actual needs of employees.

Greater emphasis should also be placed on the form of training courses, especially for beginners or people with zero knowledge of the area. Further education should support modern teaching practices that help minimise fear of error and failure, promote individuality, while transferring knowledge and skills in an informal and entertaining way.

- ❖ **Preparation of special programmes for trade union members.** Globally, trade unions are struggling with the decline in the membership base. One solution to **motivate employees to join trade unions** may be to offer special training programmes for the union members. The creation of special programmes should be based on the needs of the union members. In addition to training courses, the relevant **technical support**, which is missing according to surveys of employees, should also be part of the programmes.
- ❖ **Mitigation of the effects of unemployment.** In the context of the advent of new technologies, black scenarios relating to the high number of the unemployed are often mentioned. Economic theory does not support the idea of persistent high long-term unemployment<sup>18</sup>, but a short- to medium-term upward swing in unemployment may occur. This phenomenon can be prevented through the mixture of preventive measures, but even within this mixture, the quality of formal and non-formal education

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<sup>18</sup> Hall, R. E. (1979). A Theory of the Natural Unemployment Rate and the Duration of Employment. *Journal of Monetary Economics*. 1979, Vol. 5, No. 2, pp. 153–69.

will still play a major role (and, consequently, speed and quality of the response of the education system to new initiatives related to digitisation and automation).

However, despite enormous efforts, unemployment cannot be completely prevented due to advancing digitisation. **Subsequent** measures should then minimise the negative effects of unemployment associated with a decline in household incomes and a loss of social status. One solution, which has been increasingly discussed in the recent years, is the introduction of the universal basic income. The **universal basic income** is defined as a regular universal payment to everybody<sup>19</sup>. It shall be paid unconditionally, i.e. regardless of age, economic activity, health condition, household size, or other criteria which are considered in traditional social systems. The payment of the universal basic income is not limited in any way by economic (non)activity, so that everyone may continue to engage in productive labour market activity without further restrictions. The universal basic income represents a certain income that individuals can consider in their long-term financial plans and form an imaginary cushion during unpredictable events that affect household income (unemployment, illness, disability, etc.). In a global context, a number of experiments with the universal basic income have been performed (e.g. in Finland, the USA), which have shown that it is a concept that solves some of the problems of the Western societies and it would be appropriate to examine its functioning also in the Czech conditions.

- ❖ **Medialization** of impacts. The main objective of medialization of the impacts of advancing digitisation and automation should primarily be to encourage the inhabitants of the Czech Republic to be more active in education in the area concerned. The over-focusing on the sensationalism of headlines evokes more fear and creates a sense of inferiority based on the level of individual digital literacy. This, in conjunction with the difficult temporal and financial availability of educational activities in excluded locations, leads to a passive attitude and support for the so-called self-fulfilling prophecies.
- ❖ **A dictionary of new concepts.** For better orientation of employees, as well as the whole population in general, in the world of modern technologies, a simple, well-accessible dictionary of foreign concepts used in connection with digitization and automation should be created. Only after the adoption of the basic concepts necessary to identify oneself with a given culture can a real adoption of technological tools be expected. Explaining new concepts related to new technologies is an essential step that should be part of all activities in education and in the media world.
- ❖ **Reducing intergenerational disparities.** Unemployment caused by advancing digitisation and automation will most likely affect more elderly employees. Working

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<sup>19</sup> Van Parijs, P. 1992. Basic Income Capitalism. *Ethics*, Vol. 102, No. 3 (Apr., 1992), pp. 465-484.

with more temporally challenged employees, increasing their motivation to engage in processes requiring work with new technologies, and appropriately define cooperation with younger employees can bring a synergistic effect which will lead not only to higher employability of the elderly, more efficient transfer of experience in the direction of younger employees, but will also bring increased productivity to the given company. Only this way it would be possible to face the intergenerational gap that digitisation will continuously increase through higher individualisation of employees.

## 4.2 A change in job contents

External manifestations of advancing digitisation and automation will be relatively well measurable through standard indicators. Visible manifestations – such as the above-mentioned increase in unemployment – can be clearly identified and subsequently quantified. However, in the context of digitisation and automation, there are **changes in the internal structure of the labour market**, which are not visible at first glance and manifest themselves rather indirectly. One of these manifestations may be the **emergence of brand new, yet undescribed professions** and a **gradual change in the job contents in traditional professions**. In the labour market, these changes will mainly be reflected in the **increase in the mismatch between the field studied and the employment performed**. In 2014, a fifth of employees in the Czech Republic had an occupation which required much lower qualifications. **A fifth of the employees** were therefore **overqualified** for the job. The discrepancy between the studied field and the performed profession was then even higher – **in the Czech Republic, more than 60% of people with upper secondary (high-school) and 47% of people with tertiary (university or college) education** worked in another field<sup>20</sup>. Leaving aside the impact on individuals<sup>21</sup>, the impact on the whole economy can be enormous.

Measures aimed at minimising the costs associated with investments in the non-prospective fields (i.e. areas where graduates find it very difficult to find a job in the labour market) should be based on **regular monitoring of labour market mismatches** – both vertical (mismatch between the degree of education and the requirements placed on the given job) and horizontal (mismatch between the field studied and the job performed). Only regular monitoring of the development of the labour market mismatches will allow for the timely identification of non-prospective degree courses and high-perspective jobs.

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<sup>20</sup> Kalíšková, K. (2015). Skills Mismatches in the Czech Republic. *IDEA CERGE-EI PaperSeries*, No. 10/2015. Available at: [https://idea.cerge-ei.cz/files/IDEA\\_Study\\_10\\_Skills\\_Mismatches/mobile/index.html#p=2](https://idea.cerge-ei.cz/files/IDEA_Study_10_Skills_Mismatches/mobile/index.html#p=2)

<sup>21</sup> Psychological effects of the possible disappointment caused by not working in the studied field in the labour market.

### 4.3 Increasing flexibility, individualisation and new work forms

Non-standard forms of work are not a marginal issue<sup>22</sup>, but they concern many employees also in the Czech Republic. **Non-standard forms of work** often **do not provide sufficient social protection** to an individual, and as digitisation progresses, the level of social protection of the workforce will most likely fall even further. Currently, the following groups of people are most at risk:

- the self-employed (entrepreneurs, freelancers),
- temporary workers (e.g. working under a fixed-term employment contract);
- part-time workers,
- those involved in the so-called “švarcsystém” or false self-employed people (i.e. those who are in fact working as if being employed but formally work for employers on the basis of contracts for work, etc.),
- those performing activities under out-of-employment agreements (work-based agreements and work activity agreements);
- agency workers,
- employees of small economic entities<sup>23</sup>,
- employees working under the temporary management scheme (e.g. crisis managers).

In the context of advancing digitisation, the following groups of employees are now included among the vulnerable groups of workers:

- **those working from home or remotely,**
- **job-sharing employees,**
- **workers in a shared economy**
- and other less common forms of cooperation or employment in the Czech Republic<sup>24</sup>.

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<sup>22</sup> OECD. (2019). *OECD Employment Outlook 2019 – The Future of Work*. Paris: OECD. DOI: <https://doi.org/10.1787/9ee00155-en>

<sup>23</sup> The main reason is the limited possibility of state control due to the high number of such entities, as well as the lower frequency of coverage by collective agreements.

<sup>24</sup> E.g. employee sharing (multiple employers share the employee's work among themselves), crowd employment (more workers work on a joint larger project using a special online platform without knowing each other) or voucher-base work (purchase of work through vouchers).

The above work forms do not provide employees with complete social protection as work based on an employment contract. Trade unions should therefore introduce the following measures in this area:

- ❖ **Identification of new forms of work.** A list of new work forms should be prepared annually, including the agreed conditions between the employers and employees (or the contracting authority and the executors of the work). The forms of work appearing in the Czech Republic as well should be subject to legal analysis. Where the employee protection is contrary to Czech legislation or international conventions, appropriate measures should be implemented.
- ❖ **Frequency quantification of the employment form.** The transition from traditional forms of employment to modern forms is already ongoing. Due to the potential threat to the workforce, it is necessary to continuously monitor the frequency of specific employment forms and to timely identify trends based on the popularity of the selected forms.
- ❖ **Employee awareness.** Trade unions should actively participate in awareness-raising activities in the field of modern employment forms. Employees ought to be familiar with both the advantages and disadvantages of the new forms of employment in order to make qualified decisions regarding their use.

#### 4.4 Addiction to new technologies

On the one hand, new technologies help to improve the quality of working environment (e.g. by reducing the physical complexity of work, by limiting routine activities, etc.), but on the other hand, they bring numerous negative phenomena. In addition to the higher psychological complexity of work, recently, cases of **addiction to new technologies** have become more and more common. Practice shows that addiction develops most often in 4 areas, specifically, to the Internet, Internet games, Facebook and smartphones. In addition, foreign psychological research<sup>25</sup> confirms that some population groups are more susceptible to addiction to new technologies. **The most vulnerable group are the youngest age groups** for whom modern technologies are a standard part of life de facto from birth (i.e. **digital natives**). It is the high level of adoption of new technologies and natural presence in a new environment that make this generation more susceptible to addiction.

**In the Czech Republic**, it is estimated that around **3% of the population are addicted to the Internet and another 4% are significantly at risk** of addiction. However, internet

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<sup>25</sup> Wang, H.-Y., Sigerson, L. and Cheng, C. (2019). Digital Nativity and Information Technology Addiction: Age cohort versus individual difference approaches. *Computers in Human Behavior*, Vol. 90, pp. 1-9. DOI: 10.1016/j.chb.2018.08.031

addiction (the so-called Internet addiction disorder) is not an addiction in the traditional sense – it is a behavioural addiction (a pathological behavioural disorder). However, the manifestations and effects of behavioural addictions can often be as severe as in physical addictions. In the internet addiction, 6 symptoms<sup>26</sup> are demonstrated, which are also monitored in "traditional", i.e. physical addictions. Specifically, the symptoms are as follows:

- i. *Saliency*. An individual gives the addiction factor the greatest importance, and the activity dominates all aspects of human life (thinking, feelings and behaviour).
- ii. *Mood swings (euphoria)*. Feelings of excitement or, conversely, soothing effects are associated with performing the activity. The individual can achieve flow states (absolute immersion in the given activity) only with the given activity.
- iii. *Tolerance*. The time needed to achieve the above feelings is gradually extended.
- iv. *Withdrawal symptoms*. With a reduced factor availability, moods swings or unpleasant physical manifestations occur (e.g. restlessness, aggressiveness).
- v. *Conflict*. As a result of addiction, there are 3 basic types of conflict – intrapsychic conflict (within the individual caused by loss of self-control), interpersonal conflict (between the individual and his loved ones) and conflict with other activities (impact on private and work life),
- vi. *Relapse*. The original patterns of behaviour can return even during abstinence.

The above shows that addiction to modern technologies is a major problem also in the Czech Republic, since roughly every 14<sup>th</sup> person suffers from this addiction or is severely at risk. The estimated problems associated with internet addiction may affect almost 300,000 employees in the Czech Republic. For this reason, the social dialogue should also address this issue, with directing main efforts to the following 3 areas:

- ❖ **Awareness and prevention**. The main objective of the social dialogue should be to prevent risk behaviour associated with the use of new technologies. Employees (and, consequently, the whole population) should be informed of the risks and possible manifestations of the undesired behaviour by appropriate means.
- ❖ **Identification of problematic aspects for employees**. Trade unions should raise a debate at the company level on the risks associated with the use of new technologies and work together to prepare a prevention plan. At the national level, in the first stage, they should **estimate the extent of the addicted workers or those at risk of addiction** using survey and identify the factors that may stimulate the risk behaviour in job performance. In the second stage, a **comprehensive plan** should be developed on how to work with risk groups of employees. Addiction to modern

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<sup>26</sup> Griffiths, M. D. (1996). Behavioural addictions: An issue for everybody? *Journal of Workplace Learning*, 1996, Vol. 8, No. 3, pp. 19-25.



technologies should become an **integral part** of occupational safety and health (OHS) measures.

- ❖ **Support for vulnerable employees.** Employees who are already suffering from addiction or are at its severe risk should be provided with the appropriate support necessary to overcome the difficult living situation (financial support, medical support, employer cooperation and trade unions).

## 4.5 The fear of new

The fear of new is experienced in varying intensity by everybody, and in some it can also be manifested in the form of an anxiety disorder associated with **excessive and unfounded fear of new** (so-called neophobia)<sup>27</sup>. Advancing digitisation and automation are undoubtedly new trends that may exacerbate the fear of new due to the high degree of uncertainty. Moreover, the frequently inappropriate media coverage of the new trends also contributes to the fear of employees of their own employability in the new era, as digitisation, automation and robotics are regarded primarily as a threat.

In order to alleviate the unfounded fear of digitisation and automation, it is appropriate to take the following measures:

- ❖ A **sensitive approach to media coverage** of the effects of digitisation and automation and taking the implicit fear of new of the individuals into consideration<sup>28</sup>.
- ❖ **Further education.** The educational system should consider the new trends in both formal and informal ways. Formal education in the field of digitisation and automation is the subject of numerous discussions, while non-formal education is more lagging behind in this regard and those most at risk in the labour market (with low education, residents of small municipalities with difficult transport accessibility, residents of excluded locations, etc.) do not have any access. The verification of the real benefits of the existing measures of further education should be preceded by efforts to define a more effective policy aimed at increasing the digital literacy of the Czech society.
- ❖ **Diversification of access to employee education** by age and gender. In order to increase employees' interest in education in the areas related to digitisation and

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<sup>27</sup> Mikuláščík, M. (2015). *Manažerská psychologie*. 3. přepracované vydání. Praha: Grada Publishing, a.s., 2015.

<sup>28</sup> However, a sensitive approach to media coverage of the effects of digitisation and automation does not mean that proven or highly likely impacts on society or the economy will be deliberately neglected. However, the deliberate misrepresentation of the effects of these phenomena should be significantly limited.

automation, it is necessary to define the training programmes in a different way for various age groups. It seems that some age groups are more at risk of addictions to modern technologies<sup>29</sup>, while for others, neophobia mentioned above or its milder manifestations play a greater role in terms of digitisation and automation.

## 4.6 Digitisation as a topic of collective bargaining

The social dialogue must respond in a timely manner to the numerous changes arising with digitisation and automation. All issues necessarily related to new technologies should thus become an integral part of the social dialogue. In addition to the above problems (e.g. increasing flexibility, new forms of work, job individualisation, changes in job contents, etc.), other aspects related to either identifying problematic areas or access to resolution of issues emerging with advancing digitisation deserve some attention. The above **topics, which are addressed by the social dialogue at the national level, should also be considered at the corporate level.** In the context of corporate collective bargaining, issues related to new trends are either fully downplayed or are not incorporated into written arrangements in corporate collective agreements. The results of the Information on Work Conditions survey (see Chapter 1.3) show that in 2018, the aspects related to digitisation were not given as much attention as this area would have deserved.

The results of collective bargaining at the corporate level for 2018 show, for example, the following:

- **Only 1% of corporate collective agreements** define the conditions for special forms of work and work regimes, with 1% of contracts **regulating work from home** and 0.1% of contracts regulating working without a “fixed desk”. However, none of the collective agreements addressed the issue of work without the constant performance of work or job sharing.
- **Only 35%** of corporate collective agreements stated **conditions for the professional development of employees**, but **only 2%** of contracts handled **specific programmes** with numbers of employees covered by the given programmes.
- **Only 1%** of corporate collective agreements dealt with the **outlining of career development plans**.
- Technical and organisational measures to ensure OSH were negotiated in 83% of corporate collective agreements. The method of implementation of the framework

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<sup>29</sup> Wang, H.-Y., Sigerson, L. and Cheng, C. (2019). Digital Nativity and Information Technology Addiction: Age cohort versus individual difference approaches. *Computers in Human Behavior*, Vol. 90, pp. 1-9. DOI: 10.1016/j.chb.2018.08.031



agreement regarding **work-associated stress** was specified in **only 0.2% of contracts**.

- Less than 3% of corporate collective agreements limited the scope of agency employment,
- **Only 3%** of corporate collective agreements defined **special conditions (programmes) for the employment of people over 50 years of age**.

**All measures** which should help employees adapt to new trends related to digitisation and automation, are **associated with the issue of education**. In the context of the educational process, the need for appropriate defining of training programmes and consideration of individual needs of the recipients of education has already been mentioned. Social partners play an important role in the educational process also in the Czech Republic. However, the Table 2 shows that **in the Czech Republic, social partners are not systematically involved** and participate more or less only in ad hoc measures.

Table 2: The breakdown of countries by role of social partners in the educational process

Role of social partners in the educational process		
Trade unions and/or employers finance and initiate certain ad hoc educational programmes	Employers make mandatory contributions to a public fund	Trade unions arch over educational funds
Australia	Canada	Austria
Chile	Ireland	Belgium
<b>Czech Republic</b>	Korea	Denmark
Estonia	Poland	France
Finland	Spain	Germany
Latvia		Greece
Norway		Iceland
United Kingdom		Italy
USA		Luxembourg
		Netherlands
		Sweden
		Switzerland

Source: OECD (The Future of Work, OECD Employment Outlook 2019).

On the other hand, there is a group of countries where trade unions are key partners in defining the educational system (e.g. Austria, Germany, France, Denmark, Sweden or Switzerland). In this case, the recommendation is clear – in view of the possible effects of rapid digitisation of the Czech society, it would be appropriate to examine the establishing of financing systems of education abroad and consider transferring at least some selected elements to the Czech Republic.

## 4.7 Digitisation of the social dialogue

The social dialogue should **respond** to new trends **not only in terms of the content** of the social dialogue itself, **but** it should also **adapt its form** to the new trends. The work of trade unions should be optimally digitised, so that trade unions also benefit from the advantages of new technologies in sake of their member base. With the properly defined digitisation process, social dialogue can respond faster to new stimuli and identify potential problems in a timely manner. Many decisions may also be based on verification of the interests of the member base, while for this purpose, electronic forms of questionnaire surveys could be used more frequently. The possibilities of **automating and digitising the processes** should thus be examined also **for individual trade unions**, whether at the national or corporate level.

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## Conclusion

Trade unions are an essential part of the Czech labour market and their activities enhance not only their members, but other people as well. In companies where corporate collective bargaining occurs, the results of the negotiations are also applicable to the employees who are not members of the trade union. Moreover, thanks to collective agreements of a higher degree, the results of collective bargaining can always be extended to the whole industry. The study showed that **employees covered by a collective agreement are in a better position in the Czech labour market** compared to employees without the protection of a collective agreement. On average, employees covered by a collective agreement in the Czech Republic have higher wages, report shorter time devoted to work and take a greater extent of leave.

**The social dialogue** contributes to improvement of the working conditions of employees and can also be one of the tools which may most likely **influence the adaptation of companies and economies** to changes caused by modern technologies in the future. In the context of digitisation and automation, numerous problematic aspects have emerged, while timely identification and choice of adequate solutions will contribute to minimising the impact on the Czech labour market. Although the interests of individual social partners may differ in the field of digitisation and automation, some objectives are shared. All social partners should first and foremost **correctly convey the advantages and disadvantages of the modern labour market** to the public. **The media coverage** of this area should be **balanced** and should not cause panic among the public with unverified, untrustworthy information.

In the context of digitisation and automation, the most frequently mentioned risks are **higher threat of unemployment to the workforce or changing of the work content**. Foreign experience shows that only a **well-established educational system** can contribute to increased adaptability of employees and thus to mitigate those risks. However, even an optimally defined system of formal and non-formal education will **not guarantee full employment**. For this reason, it is necessary to look for measures that would guarantee a dignified life for all those who have lost their jobs as a result of the digitisation of the economy. One option may be to introduce the **universal basic income**, whose functioning is currently being tested in several European countries as well.

Advancing digitisation will bring a lot of new issues, or it will significantly increase the intensity of the existing problems. **Impacts on the mental health of employees** will be manifested much more – whether in relation to **addictions to new technologies** or as a result of **stress caused by the fear of new**. Monitoring the psychological burden and **risk associated with the use of modern technologies** should thus be an integral part of occupational safety and health measures. Traditional risk factors (more or less physical) will most likely be gradually limited with regard to automation and robotization of the risk

facilities. However, reducing some risk factors may not mean an increase in the quality of jobs, but only a transition from physical risks to psychological stress.

The above **topics addressed by social dialogue at the national level**, should also be **considered at the corporate level**. In the context of corporate collective bargaining, issues related to new trends are either fully downplayed or are not incorporated into written arrangements in corporate collective agreements. However, more attention should be paid to issues related to digitisation at the corporate level, and therefore trade unions should pay more attention to an effective transfer of knowledge to their members.

## The Table Annex

Table I: CZ-NACE section

Sector group	CZ-NACE section
<b>Agriculture</b>	A Agriculture, forestry, fishing industry
<b>Industry and construction</b>	B Mining and quarrying
	C Manufacturing
	D Production and distribution of electricity, gas, heat and air-conditioned air
	E Water supply; activities related to waste water, waste and remediation
	F Construction
	<b>Services</b>
H Transport and storing	
I Accommodation, catering and hospitality	
J Information and communication activities	
K Finance and insurance	
L Real estate activities	
M Professional, scientific and technical activities	
N Administrative and support activities	
O Public administration and defence; mandatory social security	
P Education	
Q Health and social care	
R Cultural, entertainment and recreational activities	
S Other activities	
T Household employer activities; activities of households producing unspecified products and services for their own use	
U Activities of extraterritorial organisations and bodies	

*Table II: The main job classes of the CZ-ISCO classification*

The main CZ-ISCO class	Name
0	The armed forces
1	Legislators and executives
2	Specialists
3	Technical and professional staff
4	Officials
5	Workers in services and sales
6	Skilled workers in agriculture, forestry and the fishing industry
7	Craftsmen and repairers
8	Machine and equipment operators, fitters
9	Assistant and unskilled workers

Table III: The scope of paid time and overtime by sector and existence of a collective agreement (Czech Republic, 2018)

Sectors (CZ-NACE sections)		Existence of a collective agreement					
		YES		NO		not specified	
		overtime	paid time	overtime	paid time	overtime	paid time
		[hours/month]					
A	Agriculture, forestry, fishing industry	6.5	180.1	4.2	178.3	6.8	178.1
B	Mining and quarrying	3.4	166.6	4.1	168.9	7.7	171.3
C	Manufacturing	5.1	170.1	4.1	173.9	1.9	176.5
D	Production and distribution of electricity, gas, heat and air-conditioned air	3.3	165.9	3.2	174.3	6.0	178.6
E	Water supply; activities related to waste water, waste and remediation	4.3	169.9	5.3	178.2	5.5	179.6
F	Construction	5.2	178.8	1.0	175.9	3.1	180.5
G	Wholesale and retail, repair and maintenance of motor vehicles	2.4	174.6	2.2	175.4	0.9	174.8
H	Transport and storing	6.8	174.6	3.8	176.0	1.0	175.1
I	Accommodation, catering and hospitality	2.1	173.2	1.0	173.5	0.5	174.3
J	Information and communication activities	2.2	173.8	1.1	173.9	0.0	175.8
K	Finance and insurance	0.6	172.6	0.5	173.0	0.1	173.2
L	Real estate activities	3.3	171.9	1.4	174.7	0.3	178.7
M	Professional, scientific and technical activities	1.1	170.2	1.8	173.8	0.3	174.3
N	Administrative and support activities	4.6	171.5	2.3	171.8	1.8	174.3
O	Public administration and defence; mandatory social security	1.6	173.0	0.7	174.2	0.0	0.0
P	Education	0.3	174.3	0.2	174.4	0.4	175.7
Q	Health and social care	6.2	176.0	1.8	172.6	0.6	174.4
R	Cultural, entertainment and recreational activities	1.1	174.9	1.9	175.0	1.6	174.7
S	Other activities	2.7	175.2	1.5	174.0	0.5	174.9
<b>In total</b>		<b>4.1</b>	<b>173.1</b>	<b>2.4</b>	<b>174.2</b>	<b>1.2</b>	<b>175.3</b>

Source: ISAE (MLSA). The data are valid as of 19th July 2019.

Table IV: The structure of paid time by sector and existence of a collective agreement (Czech Republic, 2018)

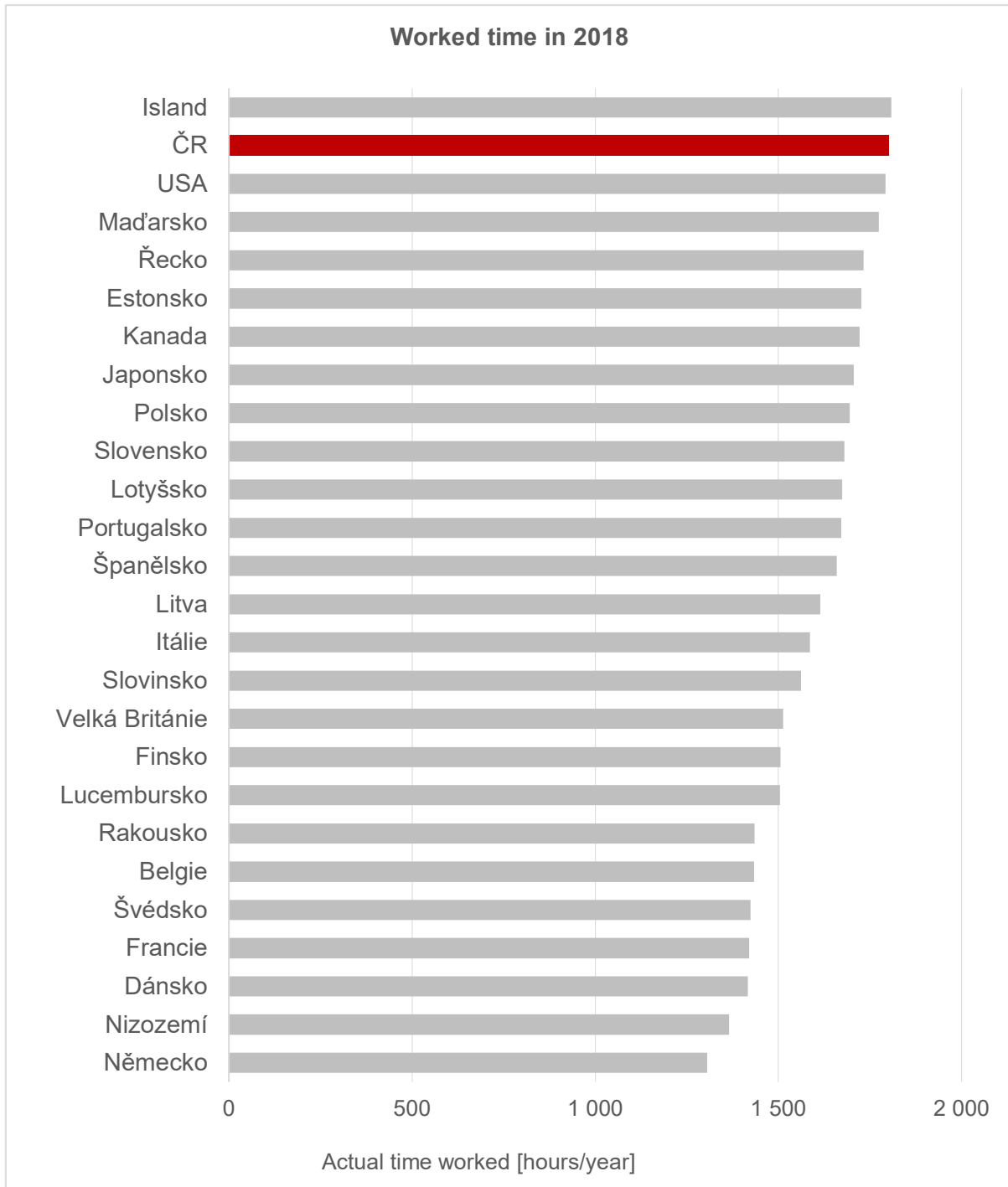
CZ-NACE section	Existence of a collective agreement / Component of paid time								
	YES			NO			not specified		
	other	overtime	leave	other	overtime	leave	other	overtime	leave
	[%]								
<b>A</b>	88.7	3.6	7.7	90.8	2.4	6.8	89.3	3.8	6.9
<b>B</b>	88.6	2.0	9.4	90.0	2.4	7.6	85.6	4.5	10.0
<b>C</b>	88.5	3.0	8.5	90.0	2.4	7.7	92.1	1.1	6.8
<b>D</b>	88.9	2.0	9.1	89.8	1.8	8.4	90.7	3.3	6.0
<b>E</b>	88.4	2.5	9.1	89.9	3.0	7.2	90.1	3.1	6.8
<b>F</b>	89.7	2.9	7.4	92.6	0.6	6.8	91.6	1.7	6.7
<b>G</b>	91.0	1.4	7.6	91.6	1.2	7.2	92.9	0.5	6.6
<b>H</b>	88.0	3.9	8.1	90.9	2.2	6.9	92.1	0.6	7.4
<b>I</b>	91.1	1.2	7.7	93.1	0.6	6.4	93.1	0.3	6.6
<b>J</b>	89.9	1.3	8.8	91.1	0.6	8.2	94.1	0.0	5.9
<b>K</b>	90.7	0.3	9.0	91.3	0.3	8.4	94.4	0.1	5.5
<b>L</b>	89.6	1.9	8.5	91.6	0.8	7.6	93.6	0.2	6.2
<b>M</b>	90.6	0.6	8.8	91.3	1.0	7.6	93.5	0.2	6.4
<b>N</b>	90.1	2.7	7.2	92.5	1.3	6.1	92.9	1.1	6.1
<b>O</b>	89.5	0.9	9.6	91.7	0.4	7.9	-	-	-
<b>P</b>	87.7	0.2	12.1	87.6	0.1	12.2	92.8	0.2	7.0
<b>Q</b>	87.5	3.5	9.0	90.5	1.1	8.4	92.4	0.4	7.2
<b>R</b>	90.9	0.7	8.4	91.3	1.1	7.6	92.2	0.9	6.9
<b>S</b>	90.2	1.5	8.3	91.3	0.9	7.9	92.7	0.3	7.0
<b>In total</b>	<b>88.8</b>	<b>2.4</b>	<b>8.8</b>	<b>90.9</b>	<b>1.4</b>	<b>7.7</b>	<b>92.7</b>	<b>0.7</b>	<b>6.7</b>

Note.: The names of each section in the CZ-NACE classification are given in the Table I in the Annex.  
 Source: ISAE (MLSA). The data are valid as of 19th July 2019.



## The Picture Annex

Picture 1: The worked time in selected countries in 2018



Note: The most up-to-date available data were used for countries for which the 2018 figure was not available. For Finland, the data for 2017 were used. The 2016 data were used for the following countries: Denmark, France and Slovakia.

Source: OECD. The data are valid as of 3rd Aug 2019.

Iceland; Czech Republic; USA; Hungary; Greece; Estonia; Canada; Japan; Poland; Slovakia; Latvia;  
Portugal; Spain; Lithuania; Italy; Slovenia; UK; Finland; Luxembourg; Austria; Belgium; Sweden; France;  
Denmark; Netherlands; Germany

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