

# The Future of Collective Bargaining in Czechia

Client	Association of Independent Trade Unions of the Czech Republic (task as per §320a of the Labour Code, 2023)
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## 1. Introduction

“The Future of Collective Bargaining in Czechia” is a study addressing selected new trends affecting union activities and the nature of collective bargaining. It captures the context of the current deteriorating socio-economic situation which threatens the prospects of securing decent work in its many forms.

Chapter 2, “Current global trends in the labour market”, describes the general situation in the labour market and points to the chief trends which should be discussed as a part of social dialogue, such as the worsening position of women and young people in the labour market, the increasing lack of decent work, high inflation, etc. The chapter also details the outlooks related to job offers, employment rate, and job openings, and deals with generative artificial intelligence as a crucial technology of the future, along with its impact on the labour market. Chapter 3 concerns the state and development of minimum wage in Czechia and offers an international comparison. It lists examples from abroad regarding the minimum wage issue in social dialogue, including responses to growing inflation. Additional attention is paid to the new EU regulation on minimum wage, as well as the idea of a minimum decent wage and a set of proposals for improving the income level in Czechia.

Chapter 4 describes the role of unions in sustainable development agenda and the challenges faced by unions in regard to sustainability. It provides an example of unions determining their priorities and intentions vis-à-vis relevant sustainability goals (SDG). Furthermore, it details the role of employees in the non-financial reporting process as described by the new EU directive or more precisely the relevant standards.

Chapter 5 contains further challenges currently faced by unions, which determine the future agenda of social dialogue and collective bargaining. It describes key social groups to which unions should pay special attention, and the most significant cross-sectional groups of activities for unions to pursue in order to secure their future. The chapter presents a comprehensive map of union approaches to collective bargaining, containing

all key topics including those which have not yet been emphasised much in the Czech environment.

Chapter 6 summarises the study's main findings and presents the resulting conclusions.

## **2. Current global trends in the labour market**

This chapter details current trends in the labour market to which unions should adequately respond. It deals with expected prospects regarding job offers, employment rate, and a possible lack of jobs. The impact of various crises on productivity, quality of jobs and job opportunities, as well as the ways these trends can threaten social justice globally, is addressed in the International Labour Organization's "*World Employment and Social Outlook: Trends 2023*"<sup>1</sup>. The study's findings are presented primarily in Chapters 2.1. to 2.3.

The chapter also focuses on generative artificial intelligence as a crucial new technology of the future and on its effects on the labour market.

### **2.1. General overview**

The year 2023 has been marked by deteriorating global prospects which threaten to worsen the existing lack of decent work.

There are several reasons for pessimism—growing geopolitical tension, uneven recovery from the COVID-19 pandemic, and flaws in slow-to-rebuilt supply chains.

All this creates conditions for the emergence of long-term “stagflation”, i.e. a period characterised by high inflation and low economic growth which last occurred in the 1970s.

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<sup>1</sup> ILO. World Employment and Social Outlook: Trends 2023 [online]. Geneva: ILO Publishing, 2023 [quoted on 2023-05-15]. ISBN 9789220372920. Available on: [https://www.ilo.org/global/research/global-reports/weso/WCMS\\_865332/lang--en/index.htm](https://www.ilo.org/global/research/global-reports/weso/WCMS_865332/lang--en/index.htm)

Significant fluctuations in consumption and supply chains which accompanied the COVID-19 pandemic led to asymmetric shocks in supply and demand, causing labour shortages and price hikes in many industries.

Inflation, caused primarily by high food and energy prices, reduces disposable income which affects aggregate demand and the ability of the poorest to maintain a suitable quality of life.

In short, the current situation and prospects in the global labour market can be characterised thusly<sup>2</sup>:

- Prevailing lack of decent work;
- Worsened position of women and young people in the labour market;
- Decent work parameters improving only in certain respects and slowly at that;
- Worsened lack of decent work due to the COVID-19 crisis;
- Global slump in employment growth in 2023;
- Uncertain prospects in the global labour market due to an accumulation of risk factors.

Of these trends, the following in particular are worth mentioning:

### **Current decent work defects on the global level**

- *Job shortage*: Approximately 473 million people all over the world have no way of receiving employment-based income. Of them, 205 million are unemployed, i.e. have recently looked for a job and are available in the near future. There are 268 million people in total who do not meet these requirements but whose need for employment remains unmet;
- *Informal employment*: Two billion people who are employed are in informal employment, an arrangement associated with a significantly reduced likelihood of having certain work-related rights or being able to express oneself by means of

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<sup>2</sup> ILO. World Employment and Social Outlook: Trends 2023 [online]. Geneva: ILO Publishing, 2023 [quoted on 2023-05-15]. ISBN 9789220372920. Available on: [https://www.ilo.org/global/research/global-reports/weso/WCMS\\_865332/lang--en/index.htm](https://www.ilo.org/global/research/global-reports/weso/WCMS_865332/lang--en/index.htm)

social dialogue or availing oneself of the advantages offered by social protection systems. This applies mostly to the world's rural regions;

- *Working poor*: 214 million people are employed but cannot escape extreme poverty—they and their families live off less than 1.90 USD per person and day (expressed in purchasing power parity). Global work-based income is distributed quite unevenly—the bottom 50% of workers earn just approximately 8% of the total global income from work;
- *Differences in productivity*: Income inequality is partially caused by extreme differences in labour productivity. In high-income countries, gross domestic product (GDP) per worker is 18 times higher than in low-income countries;
- *Poor social protection*: Globally, the social protection of those who lose their job is also very uneven. Only 47% of people who become unemployed are covered by at least one social protection tool;
- *Forms of labour to be abolished*: In 2020, roughly 160 million children all over the world were working, most of them in agriculture. Additionally, 28 million people globally are in forced labour. This means that altogether 188 million people are engaged in types of work which should be abolished (ILO, 2023).

### **Worsened position of women and the young in the labour market**

Women and the young have a much worse position in the labour market, a testament to the fact that many countries' labour markets are quite unequal.

- Globally, 47.4% of women participated in the global market in 2022, compared to 72.3% of men. The 24.9% difference means there are two economically inactive women to each economically inactive man;
- Young people (aged 15–24) struggle greatly when it comes to securing and keeping decent work. Their unemployment rate is three times that of the adults (aged 25+). More than one fifth of the young—23.5%--are not in education, employment, or training—the so-called “NEETs” (ILO, 2023).

### **Certain decent work parameters improving only slowly**

Long-term, it is good that at least certain decent work parameters have seen a positive trend globally. Defects, however, are being redressed too slowly. It is also possible that current economic issues might reverse this trend.

- Significantly less extreme work poverty—it is a great success that the rate of extreme working poverty dropped from 35% (1991) to 6.4% (2022). Nevertheless, there has been no further progress in low-income countries. This means that the number of working poor in these countries grows;
- *Dropping rate of informal employment:* The rate of informal employment has dropped by 5% over the past 18 years. Although the trend is positive, the curve is too gradual for extensive formalising to be expected in the near future. Over the past three decades, the different numbers of men and women in informal employment have essentially not changed;
- *Different development of young men and women's NEET rate:* Over the past 17 years, the number of young male NEETs has grown while young women have seen a downward trend (ILO, 2023).

### **Worsened lack of decent work due to the COVID-19 crisis**

The COVID-19 pandemic has had a markedly negative effect on the global process of improving labour conditions. The crisis has deepened the prior lack of decent work.

- *One quarter billion jobs lost:* In 2020, the total number of hours worked dropped by estimated 8.7% compared to the fourth quarter of 2019, equalling 252 million full-time jobs (48 hours a week);
- *Unequal social measures worsened income inequality across countries:* Although the loss of working hours, and thus income, has occurred globally, uneven measures to support incomes have strengthened existing income inequality across countries. These inequalities are a result of a different scope of ordinary and extraordinary tools used by different countries' social protection systems;
- *Inequality of various social groups increasing:* Inequality has also grown in individual countries. For example, women or those with low- or medium-skill jobs



have been becoming unemployed more frequently than men or those with higher qualifications;

- *Reversing trends regarding the spread of informal unemployment and working poverty:* as a result of the COVID-19 pandemic, the rate of informal employment and working poverty first stopped dropping and then began increasing. The overwhelming majority of countries are yet to go back to the rate of employment and scope of working hours (accounting for population growth) they had in late 2019, i.e. before the pandemic broke out;
- *Slow recovery in low- and medium-income countries.* Recovery has been slow in low- and medium-income countries, i.e. those with alarming decent work indicators (ILO, 2023).

### **Global drop in employment growth in 2023**

After a quick recovery in 2022 which was a response to the winding down of the COVID-19-related crisis, a significant drop is expected for 2023. This will have several negative effects.

- *Deepening differences in recovery:* Low- and low-to-medium-income countries will find it difficult to eliminate differences which emerged in 2021 and 2022 and set them apart from high-income countries;
- *Unemployment growth:* The 2021 and 2022 drop in unemployment will cease. Slight global growth in unemployment is expected for this and the following year;
- *Drop in hours worked per worker:* It is expected that the number of hours worked per employee will also drop in relation to the economic slump and will remain deeply below pre-pandemic levels (ILO, 2023).

### **Uncertain prospects in the global labour market due to an accumulation of risk factors**

Accumulating risk factors have resulted in highly uncertain outlooks in the labour market, coupled with the remaining uncertainty regarding the pandemic's impact on the labour market. Because of this, any estimates of the development of labour market indicators are currently marked by a great uncertainty (ILO, 2023).

## **2.2. Complicated economic environment in the global labour market**

The current situation and following development of the global labour market is influenced by several highly challenging macroeconomic circumstances, such as:

- Rapidly increasing living expenses which reduce disposable incomes;
- Limited options of tax and monetary policy;
- Uncertain short-term economic prospects;
- Specific long-term trends affecting labour market dynamics.

### **Rapidly increasing living expenses which reduce disposable incomes**

At the moment, disposable incomes have been dropping significantly all over the world, a result of growing living expenses. There are several reasons for this:

- *A combination of asymmetric demand and supply shocks has increased core inflation rate<sup>3</sup>:* The COVID-19 pandemic has caused large fluctuations, both in demand (from services to goods—often electronic—and back as anti-pandemic measures began to be lifted all over the world), and supply (global supply chains disruptions meeting increased demand, stimulated by pandemic-induced savings accumulation);
- *Growth of food and energy prices as an existential threat:* Food and energy prices have grown significantly due to cyclical factors and suspended supply, caused by the war in Ukraine. In March 2022, the global food price index had been the highest since 1990 when it began to be measured. As late as September 2022, food prices still exceeded the 2019 average by 43%. By August 2022, global energy prices had grown to be the triple of the 2019 average, i.e. 60% higher than the price level in the 2011–2014 period, the previous high-price period. The combination of high

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<sup>3</sup> Core inflation can be defined as an increase in the consumer price index across the market basket, accounting for seasonal effects, the effect of changes in regulated prices, the effect of tax regulations, and other administrative measures resulting in price changes.

food and energy prices has plunged many households into a cost of living crisis which may become existential in case of poor households which spend a substantial part of their income on food and energy. Moreover, small- and medium-sized businesses in particular, that is businesses without a significant market value which would allow them to transfer part of the costs to consumers, face an existential threat caused by growing energy prices.

### **Double-digit inflation**

This development resulted in a double-digit inflation, affecting more than 2 billion people all over the world, reinforcing inequalities in individual countries, and reducing aggregate demand. Energy producers and businesses with a significant market value make record-breaking profits while other businesses try to transfer the increased costs to their customers or are affected by a reduced demand. Workers already notice their real incomes reducing and often do not have the negotiating power to have these losses compensated or they work in struggling businesses which are not able to increase wages. The unexpected acceleration of inflation growth has been at the expense of employees who find themselves on the losing end where inflation is concerned. At the same time, the power of social dialogue has become weaker due to a reduced union density and coverage by collective bargaining which, under different circumstances, could have helped make sure that the inflation costs would have been distributed fairly. Because of the lacking effort to redistribute costs, most households found themselves facing a drop in real income, leading to a drop in aggregate demand.

## **2.3. Job offers, employment rate, and lack of jobs**

In the following years, employment will stop growing, workers will find it harder to secure quality work, and real income will quite likely drop. According to ILO<sup>4</sup>, the causes can be

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<sup>4</sup> ILO. World Employment and Social Outlook: Trends 2023 [online]. Geneva: ILO Publishing, 2023 [quoted on 2023-05-15]. ISBN 9789220372920. Available on: [https://www.ilo.org/global/research/global-reports/weso/WCMS\\_865332/lang--en/index.htm](https://www.ilo.org/global/research/global-reports/weso/WCMS_865332/lang--en/index.htm)

discovered in the dynamic of job offers and demographic changes, labour market structure, and the institutional context of job creation and elimination. These determinants vary across countries. As a result of differences in the mutual effects of labour demand and supply and in the remuneration of workers, labour markets in different countries will be in a different shape.

## **Job offers**

Regarding job offers, these are the noticeable trends:

- *The global rate of participation in the labour market has been dropping slightly.* In 2022, the global rate of participation in the labour market was 60%, i.e. still slightly lower than in 2019. A slight decrease of 0.2% is expected for 2023;
- *In many high-income countries, the working age population has begun to decrease.* The labour shortage, caused by demographic developments, has been worsened by an increasing health-induced inactivity. According to World Health Organization (WHO) sources, roughly 20% of those who contracted COVID-19 will suffer some kind of long-term medical effects<sup>5</sup>;
- *Conditional maintenance/improvement of the quality of life.* Maintaining or improving quality of life in the context of growing old-age dependence<sup>6</sup> (typical for high-income countries) will require a more rapid growth of productivity, increase in labour market participation, or internal migration of young workers;
- *Measures to increase participation in the labour market have limits and are not fully utilised.* In many high-income countries, the retirement age was raised and older workers began to be increasingly encouraged to stay employed. These policies to overcome structural labour shortages, however, have limits, simply

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<sup>5</sup> PENN STATE. How many people get 'long COVID'? More than half, researchers find: Half of COVID survivors experience lingering symptoms six months after recovery. [online]. ScienceDaily. ScienceDaily, [quoted on 2023-05-17]. Available on: [www.sciencedaily.com/releases/2021/10/211013114112.htm](http://www.sciencedaily.com/releases/2021/10/211013114112.htm)

<sup>6</sup> Note: Age dependence is qualified as the ratio of inhabitants aged 65 and more to those in the 15–64 age group.

because old-age dependence is growing too fast to be offset by a growth in labour market participation;

- *Incentives encouraging the lifelong education of older workers are rarely introduced.* Although the idea of lifelong education enjoys broad verbal support, specific tools for old-age education are rarely introduced (considering the high costs of retraining older workers). The experience gained over the course of one's working life often does not pay fully off when a worker changes professions or industries and thus loses a significant part of their wage bonuses as those are dependent on the length of their practical experience<sup>7</sup>. Last but not least, more effort needs to be made to introduce more women and marginalised groups to the labour market via suitable policies;
- In countries with an aging population, employers struggle with a shrinking workforce pool and the related decrease in the number of talented workers since increasing participation is becoming more and more difficult. The labour market participation rate of people aged 25–64 in high-income countries is already 7% higher than the global average, and any further increase will hit limits. In 2024, workforce is expected to shrink in high-income countries. In 2022, three quarters of respondent businesses stated they had trouble finding necessary talents to fill jobs;
- Globally, women's labour market participation is much lower than men's. In 2022, the global numbers of working age women who were not a part of the workforce exceeded the number of men in this category by 750 million, a consequence of the fact that women's global labour market participation rate is 25% lower than men's (the difference is smaller in Western economies). Great structural obstacles in this area, often rooted in social norms, prevent women from participating more in the labour market (such factors may include discrimination, fragmented and segregated labour markets, unequal distribution of unpaid care and care duties

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<sup>7</sup> MCKINSEY GLOBAL INSTITUTE. Human capital at work: The value of experience [online]. 2022 [quoted on 2023-05-15]. Available on: <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/human-capital-at-work-the-value-of-experience>

between men and women & families and the state, gender-based violence and harassment, prevalent gender stereotypes and socio-cultural norms, limited voice and representation of women in collective decision-making processes);

- *Globally, more than one fifth of young people qualified as so-called NEETs in 2022* (young people who are not in education, employment, or training and primarily live off their parents). That is 289 million young people all over the world. Young women are twice as likely to become NEETs than young men are. Regions characterised by large differences in men's and women's labour market participation also show marked NEET differences. Encouragingly, though, the differences between the numbers of male and female NEETs have decreased over the past 16 years—the NEET rate of young women decreased by 2% while that of young men rose slightly;
- There are great differences in the NEET rate among individual regions of the world. For example, less than 10% of young European men qualify as NEET, compared to 20% of young men in the Arab world. Furthermore, many young people are economically inactive because they are in education. In 2022, the global labour market participation rate of young people was ca 40%, much less than that of the adults (ILO, 2023).

### **Quantity of work: Employment and working hours**

Regarding quantity of work, the following merits mentioning:

- *Employment growth determinants vary in individual groups of countries.* First, some countries are expected to enter a recession while others will likely see a growth normalisation after an increased growth rate in 2021 and 2022. Second, institutions vary greatly across countries. This includes different coverage by social protection systems, scope of social bargaining, legal regulations protecting employment, and government labour market policies. Third, different countries find themselves at different stages of demographic changes;
- *Risk of lay-offs vs risk of qualified workforce shortages during recovery.* In high-income countries with an aging population, employment development is

determined by medium-term strategic decisions of businesses that need to balance economic slump lay-offs with the risk of workforce shortages during recovery;

- *Many businesses may have insufficient resources to keep their employees, especially those companies which were greatly affected by the COVID-19 crisis and those with higher costs of financing. Small- and medium-sized business, in particular, may not survive a significant reduction in aggregate demand. The number of insolvency cases might grow, primarily in view of the fact that after two years of a remarkably low insolvency rate there is a large number of unresolved insolvency cases<sup>8</sup>;*
- *Global employment is estimated to increase by 1.0% in 2023, a strong slowdown after the 2.3% growth in 2022. Due to frequent crises in the labour market, employment growth in 2023 is expected to be 0.5% lower than what was assumed just a year ago;*
- *Employment growth is not keeping up with working-age population growth, stabilising the employment to population size ratio in all income groups;*
- *Globally, the employment recovery of women has been much stronger than that of men; in the former's case, the employment-to-population-size ratio is approaching 2019 values. The outlook for men and women's employment rate is similar: it is assumed that the growth of men and women's employment rate will slow down at approximately the same rate;*
- *Youth employment rate in particular was strongly affected and its recovery further lags behind that of the adults;*
- *The hours-worked parameter has recovered from the COVID-19 crisis worse than employment rate: the number of hours worked per worker has been steadily dropping;*

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<sup>8</sup> ALLIANZ RESEARCH. Insolvency Report 2022, [online]. May 18, 2022 [quoted on 2023-05-15]. Available on: [https://www.allianz-trade.com/en\\_global/news-insights/news/insolvency-report-2022.html](https://www.allianz-trade.com/en_global/news-insights/news/insolvency-report-2022.html).

- *Globally, employed women work roughly seven paid hours a week less than men.* The difference varies greatly across regions (ILO, 2023).

## **Unemployment**

Regarding unemployment, the following global trends are worth mentioning:

- *In 2022, global unemployment declined significantly—to 205 million which is less than the 235 million in 2020 but still 13 million more than the 2019 number.* High-income countries have seen a marked progress in reducing unemployment—in 2022, unemployment rate dropped to 4.5%, i.e. even below the 4.8% in 2019. Higher-medium-income countries have managed to reach the 2019 unemployment rate levels;
- *Total unemployment is expected to rise slightly in 2023, approximately by 3 million.* The expected unemployment growth, relatively mild despite the negative global economic prospects, is based on the above-mentioned factors, specific to individual countries. Businesses in high-income countries struggling with workforce shortages as a result of aging populations resist lay-offs as they can;
- *The young in the labour market are three times as likely to be unemployed as the adults are.* Globally, total youth unemployment was approximately 14% in 2022. The rate is expected to rise by 1 million in 2023 and remain roughly the same in 2024. Youth unemployment is the greatest in countries with higher-medium incomes (ILO, 2023).

## **Lack of jobs, outside unemployment**

Unemployment is the best known measure of insufficient workforce use but also one of the most limiting:

- In 2022, roughly 473 million people were interested in finding a job but did not have one. This unsatisfied demand for jobs concerns 205 million unemployed



and other 268 million jobless who do not meet the definition of the unemployed. The second category includes, for example, those who are deterred from looking for a job because they see no possibility of getting one, and those who at the moment are not able to start working in the short term as they have family duties or are day students (ILO, 2023).

## **2.4. Impact of artificial intelligence on the labour market and productivity**

Many authors have already analysed the impact of most new technologies, such as automation and use of robots, on the labour market, but the effect of new gen artificial intelligence is a matter for future detailed research. However, a few analyses do exist (see below).

The recent emergence of generative artificial intelligence (*“artificial intelligence”* or AI) may mean that humanity is in the beginning stages of a further acceleration of task automation which as a result will decrease wage costs and increase productivity. Much uncertainty still surrounds the potential of generative artificial intelligence. The fact is that the technology can produce content that is indistinguishable from human-made outputs. It differs from previous machine-learning methods, termed narrow, analytical. Generative artificial intelligence has three main characteristics:

- general rather than specialised use;
- ability to create new outputs, similar to human-made ones, rather than just describe or interpret existing information;
- available interfaces which understand natural language, images, sounds, and videos, and respond to them.

Generative AI can also minimise communication barriers that separate humans and machines. Both implies great technological progress, with potential significant macro-economic impact on the employment rate and productivity.

The launch of chatGPT by OpenAI, using the so-called GPT-4 generative language model as of March 2023, was a momentous breakthrough in the development of AI technologies. The global response to the application<sup>9</sup> led to a further acceleration of the development of generative language models. For instance, according to a study by Goldman Sachs<sup>10</sup>, by 2023 U.S. investments in artificial intelligence should equal 1% of the U.S. GDP.

#### **2.4.1. Impact of generative artificial intelligence on employment rate**

The authors of the Goldman Sachs study were the first to attempt modelling the impact of generative artificial intelligence on the employment rate, analysing occupational activities as described in databases of occupations (900 occupations from the U.S. database O\*NET and 2000 occupations from the European database ESCO). The data was used to estimate the percentage of work which could be automated by AI, as categorised by occupation and sector.

The main findings:

- Roughly two thirds of occupations in USA face a certain degree of automation via generative artificial intelligence;
- Most of the affected occupations make up a significant percentage of occupational activities (25–50%) which can be replaced by artificial intelligence;
- Taking into account the share of the analysed occupations in the U.S. and Eurozone labour markets, the authors conclude that in total one fourth of the occupational activities which are currently being done by humans can be automated via artificial intelligence;
- Administrative (46%) and legal occupations are particularly exposed to AI replacement;

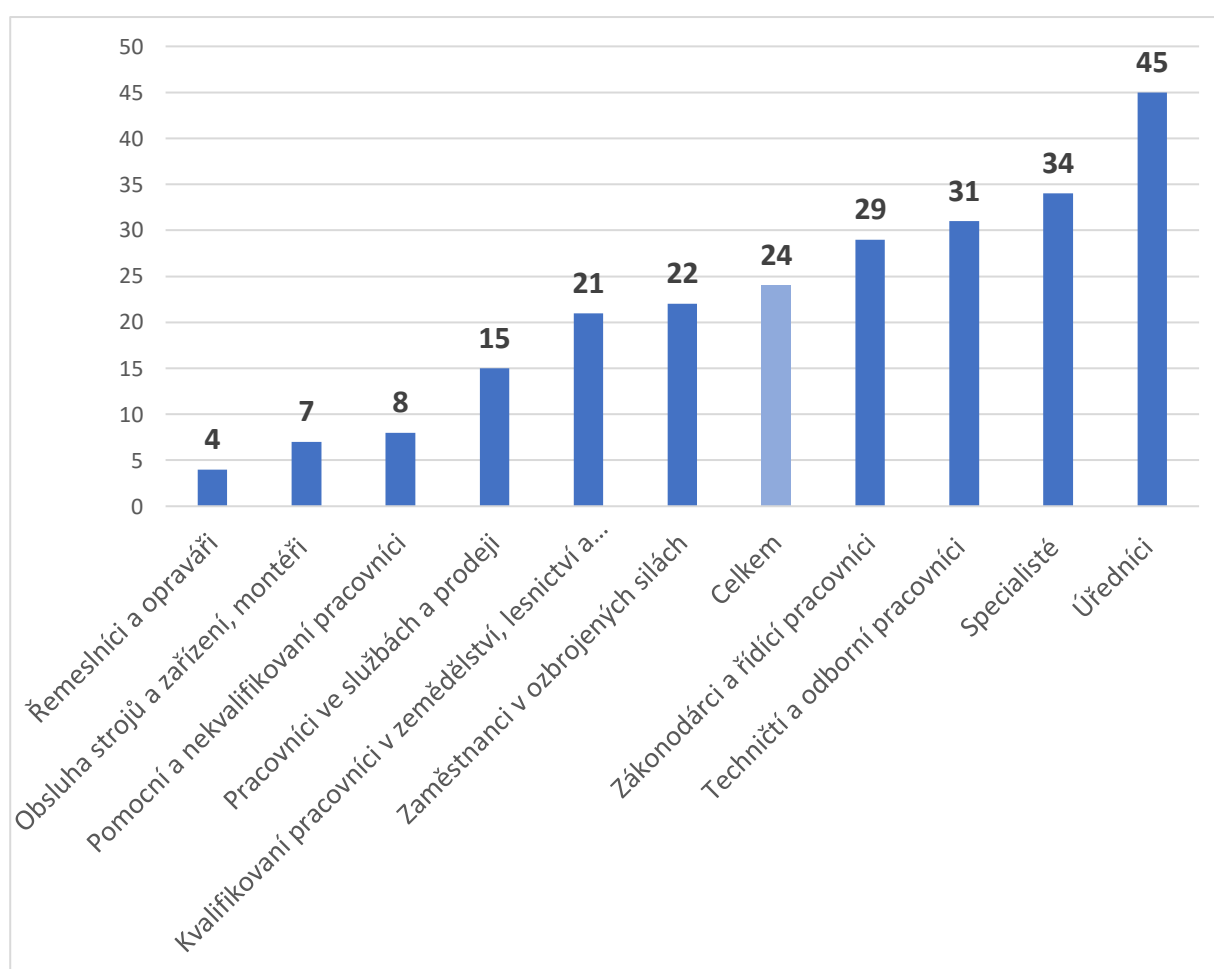
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<sup>9</sup> The number of chatGPT users went over 1 million in just 5 days; faster than any other application in history.

<sup>10</sup> GOLDMAN SACHS ECONOMICS RESEARCH. The Potentially Large Effects of Artificial Intelligence on Economic Growth [online]. March 26, 2023 [quoted on 2023-05-15]. Available on: [https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst\\_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs\\_Kodnani.pdf](https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs_Kodnani.pdf)

- Conversely, occupational activities in physically demanding professions, such as construction (6%) and maintenance (4%), are minimally replaceable by artificial intelligence;
- According to the authors, the situation in the Eurozone as analysed is in line with predictions for the U.S. labour market, both in the aggregate and across sectors. See the following image;

**Image 1: Percentage of employment open to automation via artificial intelligence, by sectors, ISCO (% , Eurozone)**



Source: Goldman Sachs, 2023, created by TREXIMA

- Extending the model to developing countries, it is clear that due to the different composition of developed and developing economies (e.g. a greater presence of agriculture in developing countries where no significant impact of AI on

employment is expected), AI will have a bigger impact on more developed economies. Still, AI is expected to possibly replace 18% of human work globally;

- Although AI will likely have a strong impact on the labour market, most jobs and industries will be exposed to automation only partially, and thus it is more probable they will be supplemented with AI, rather than outright replaced.

The authors base their work on the assumption that:

- Occupations where at least 50% of occupational activities face automation will likely be replaced by AI;
- Occupations exposed at the rate of 10–49% will more likely be supplemented;
- Occupations with a 0–9% exposure rate will probably not be affected.

If this assumption proves correct, 7% of the current employment in the US will be replaced with AI, 63% supplemented, and 30% remain unaffected, though the final outcome will depend on the way demand for work develops, as well as on the workload in response to the partial savings on work accrued in most occupations.

According to Goldman Sachs<sup>11</sup> (2023), administration and office support, as well as law, will be among sectors where the greatest percentage of jobs will be replaced by generative AI in the US.

In many respects, the joint study by OpenAI, OpenResearch, and the University of Pennsylvania (hereinafter referred to as Elondou et al.)<sup>12</sup> predicts a similar impact of generative AI on the (US) labour market. It suggests that:

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<sup>11</sup> GOLDMAN SACHS ECONOMICS RESEARCH. The Potentially Large Effects of Artificial Intelligence on Economic Growth [online]. March 26, 2023 [quoted on 2023-05-15]. Available on: [https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst\\_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs\\_Kodnani.pdf](https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs_Kodnani.pdf)

<sup>12</sup> ELONDOU, Tyna, Sam MANNING, Pamela MISHKIN a Daniel ROCK. GPTs are GPTs: An Early Look at the Labor Market Impact Potential of Large Language Models [online]. March 27, 2023 [quoted on 2023-05-15]. Available on: <https://arxiv.org/pdf/2303.10130.pdf>

- In the case of approximately 80% of U.S. workers, the introduction of large language models (such as GPT) might affect at least 10% of occupational tasks;
- In the case of 19% of workers, at least 50% of occupational tasks might be affected.
- The assumed impact concerns all wage levels, where high-earning jobs might potentially be exposed to the possibilities of language models and the related software to a greater extent;
- These effects are not limited to industries with a higher productivity growth;
- When using large language models, approximately 15% of all occupational tasks in the US could be fulfilled much faster and while maintaining existing quality;
- If software and tools besides large language models are included, the percentage increases from 47% to 56% of all tasks;
- Higher-wage occupations generally face a greater large-language-model-induced impact; an outcome that contradicts the previous estimates of the effects of machine learning on employment;
- Occupations which rely strongly on scientific skills and critical thinking are exposed to large language models much less than those based on programming and writing;
- Occupations characterised by great barriers for entry are also affected by large language models to a greater degree. Conversely, occupations with smaller barriers for entry face a smaller impact;
- Information-processing industries are highly exposed to large language models while the manufacturing, agriculture, and mining face a smaller rate of exposure;
- Large language models, such as GPT-4, likely have a blanket impact. Although the capacities of large language models improve over time, it is expected that their growing economic effect will persist and increase even if the development of new capacities were to be immediately halted;
- Taking into account the development of supplementary technologies based on large language models, the potential impact of large language models will spread significantly;

- As is the case with other general-use technologies, the potential of these algorithms will have a wide scale of economically meaningful applications, including the creation of new types of work.

Elondou and her colleagues<sup>13</sup> point out that the speed at which the technology spreads is influenced by the rate of its adoption by businesses and users. There is already the first qualitative evidence that the adoption and use of large language models have ramped up recently. The strength of relatively simple improvements to the user interface of large language models fully manifested itself when ChatGPT opened to general public. The basic version of the language model used to be available via API but once the ChatGPT interface was launched its use spread rapidly within just a few months<sup>14</sup>.

Broad adoption of large language models requires that certain related obstacles be removed. The key factors include the rate of trust people have in the models, and the manner in which they adapt their habits. For example, the models' usefulness depends on whether or not lawyers can rely on the models' outcomes without having to check source documents or conduct independent research. Other circumstances which have an effect on the implementation of generic artificial language intelligence (and the related tools) are the costs of the technology, its flexibility, and workers' as well as businesses' preferences. The adoption of large language model technology can accelerate progress vis-à-vis related ethical and safety risks—these are, for example, misrepresentation, fabrication, or a biased nature of the information generated by the technology (Elondou et al., 2023).

Moreover, the rate at which large language models are adopted will differ across individual economic sectors due to the different availability of data, regulatory environment, and distribution of power and interests. Thus, a more detailed research into

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<sup>13</sup> ELONDOU, Tyna, Sam MANNING, Pamela MISHKIN a Daniel ROCK. GPTs are GPTs: An Early Look at the Labor Market Impact Potential of Large Language Models [online]. March 27, 2023 [quoted on 2023-05-15]. Available on: <https://arxiv.org/pdf/2303.10130.pdf>

<sup>14</sup> CONSTANTZ, J. (2023). Nearly a third of white collar workers have tried chatgpt or other ai programs, according to a new survey. Time. [online]. February 19, 2023 [quoted on 2023-05-15]. Available on: <https://time.com/6248707/survey-chatgpt-ai-use-at-work/>

further effects is required in order to comprehensively understand the rate at which workers and businesses adopt and use large language models. One option is that time savings and trouble-free application will play a larger role than better quality. Or augmentation will be emphasised in the initial stages (i.e. job security will decrease as a result of the technology spreading, e.g. copywriters will become external workers). After the technology is found to be fully reliable, full automation will be conducted (Elondou et al., 2023).

### **Need for further analyses on the impact artificial intelligence models have on employment**

Research into the effects of large language models on employment is just beginning. Further analyses are required to explore the broader consequences of this technology's progress, especially its potential to expand or replace human work, its impact on job quality, inequality, skills development, and many other changes. By having a better future understanding of the capacities and potential impact of language models on employment, policy makers and stakeholders can make better-informed decisions which will help them find their bearings in the complicated world of artificial intelligence and understand its role in creating the future of work (Elondou et al., 2023).

#### **2.4.2. Impact of generative artificial intelligence on productivity and growth**

Much of the labour market which will be affected by generative artificial intelligence-induced automation will create a potential for a dynamic growth of work productivity, dramatically increasing global production.

According to Goldman Sachs<sup>15</sup> (2023), there are two main ways in which AI-driven automation might increase the global GDP.

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<sup>15</sup> GOLDMAN SACHS ECONOMICS RESEARCH. The Potentially Large Effects of Artificial Intelligence on Economic Growth [online]. March 26, 2023 [quoted on 2023-05-15]. Available on: [https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst\\_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs\\_Kodnani.pdf](https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs_Kodnani.pdf)

These are:

- Freeing up capacities for more productive activities;
- Re-employment of workers, laid-off due to AI, in new occupations.

### **Freeing up capacities for more productive activities**

Most workers are employed in occupations partly exposed to the threat of automation via artificial intelligence. After AI tools are implemented, they will likely transfer at least a part of their freed-up capacities to productive activities which help increase productivity.

According to Goldman Sachs (2023), it is confirmed that workers in businesses where AI tools are applied have a higher productivity—an increase of 2–3% a year is generally estimated. Differences in the abilities of generative artificial intelligence when compared to previous AI technology make it difficult to extrapolate these results into the future; nevertheless, they clearly suggest that generative artificial intelligence can result in a significant increase in productivity.

### **Re-employment of workers, laid-off due to AI, in new occupations**

Furthermore, it is assumed that many workers who will be pushed out due to automation via generative artificial intelligence will ultimately re-enter themselves the labour market. This will increase the overall production in new occupations created either as a result of the introduction of AI, or in response to a greater aggregate demand and demand for workforce, caused by an increase in the productivity of workers who were not pushed out. There is sufficient historical precedent for both these channels. For example, the innovation of information technologies created such new occupations as web designers, software developers, and digital marketing experts, as well as increased aggregate income and indirectly promoted the demand for service workers in healthcare, education, and catering.

As mentioned above, the expected development is based on previous experience with the labour market's response to technological innovations. A study by David Autor et al.<sup>16</sup>

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<sup>16</sup> AUTOR David, CHIN Caroline, SALOMONS Anna M., a SEEGMILLER Bryan. New Frontiers: The Origins and Content of New Work, 1940–2018. No. w30389. National Bureau of Economic Research, 2022.



relied on the data from U.S. census to show that 60% workers are now employed in occupations which did not exist in 1940. This means that over 85% of employment growth over the past 80 years can be explained by technology-induced job creation.

Technological changes in the first half of the post-war period pushed workers out and created new job opportunities at a roughly equal rate. Since the 1980s, however, workers were pushed out faster than new job opportunities were created. These results imply that generative artificial intelligence could have negative direct effects on the demand for work in the near future, provided that artificial intelligence will influence the labour market in a manner similar to what the previous progress in information technologies did (though the effect on workforce productivity was still positive; Goldman Sachs, 2023).

The combination of significant workforce savings, new job creation, and increase in the productivity of retained workers increases the likelihood that there will be a similar boom in workforce productivity as the one which followed after the introduction of general-purpose technology, such as the electric motor or personal computer. For instance, due to a mass introduction of personal computers, a significant growth in workforce productivity occurred approximately 20 years after their invention and lasted circa 10 years. If the same model repeats itself once generative artificial intelligence is applied on a broad scale, there may be a similar subsequent growth of workforce productivity.

Goldman Sachs assumes that a blanket adoption of general artificial intelligence could increase the total rate of workforce productivity by approximately 1% a year; roughly the same increase as what followed the introduction of earlier transformative technology, such as the electric motor or personal computer.

This model includes the study's previous findings and assumptions, including:

- Roughly 7% of workers are fully pushed out but most of them are able to find a new, slightly less productive job;
- Partly exposed workers experience a productivity increase, in line with existing estimates;
- The effects manifest themselves for a period of 10 years, starting when roughly one half of businesses introduce generative artificial intelligence.

This estimated growth of workforce productivity may be relatively strong but it is also very uncertain. In USA, the growth of workforce productivity may range from 0.3 to 3%, a wide range depending on:

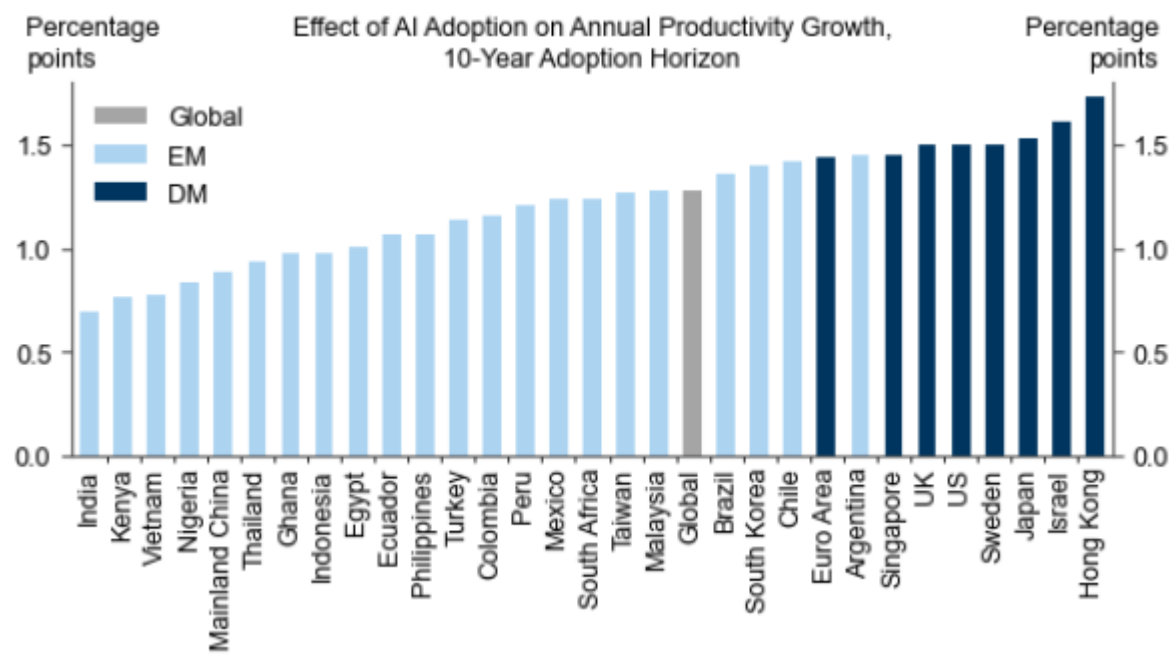
- The difficulty of tasks generative artificial intelligence can perform (the more work tasks generative AI is able to replace, the higher workforce productivity);
- The number of automated jobs (the higher the number of those laid off because their work tasks were automated by generative AI, the higher workforce productivity);
- The rate of introduction (productivity growth would be higher by roughly a half if profits were made for a period of 20 years, and by one third if made for 30 years).

According to Goldman Sachs<sup>17</sup>, a very similar growth of productivity, a result of a blanket introduction of generative artificial intelligence, is estimated in the Eurozone. The model predicts the greatest productivity growth to occur in Hong Kong and Israel.

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<sup>17</sup> GOLDMAN SACHS ECONOMICS RESEARCH. The Potentially Large Effects of Artificial Intelligence on Economic Growth [online]. March 26, 2023 [quoted on 2023-05-15]. Available on: [https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst\\_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs\\_Kodnani.pdf](https://www.key4biz.it/wp-content/uploads/2023/03/Global-Economics-Analyst_-The-Potentially-Large-Effects-of-Artificial-Intelligence-on-Economic-Growth-Briggs_Kodnani.pdf)

**Image 2: The effect of AI adoption on annual productivity growth (10-year adoption period)**



Source: Goldman Sachs, 2023

### 2.4.3. Concerns about effects, and proposed solutions

In March 2023, an open letter was issued under the auspices of the NGO Future of Life Institute, signed by several hundreds of AI academics, experts, and businesspeople calling for at least a 6-month moratorium on the development of new AI models<sup>18</sup>. The petition’s authors based their concerns primarily on the quick introduction of models their own creators did not sufficiently understand and check. Powerful AI systems were to be developed only once there was enough certainty they would have positive effects and that associated risks would be manageable. The suspension of development was to be used for creating mutually agreed-upon safety rules and for cooperating with law-makers to strongly regulate the industry. The authors called on politicians to announce a moratorium in the event the key actors in developing AI models did not negotiate one. At the same time, AI developers were to work with policy makers to significantly accelerate

<sup>18</sup> FUTURE OF LIFE INSTITUTE. Pause Giant AI Experiments: An Open Letter [online]. March 22, 2023 [quoted on 2023-05-16]. Available on: <https://futureoflife.org/open-letter/pause-giant-ai-experiments/>

the development of robust AI management systems. Those were supposed to include at minimum:

- New, functional regulatory bodies focused on AI;
- Supervision of highly powerful AI systems and large sources of computing capacity;
- Authentication systems and digital watermarks to distinguish the real from the synthetic and monitor data leaks;
- A robust auditing and certification ecosystem;
- Liability for damage caused by AI;
- Robust public funding for technological research into the safety of AI;
- Institutions well-equipped to handle dramatic economic and political issues (democracy in particular) AI will cause (Future of Life Institute, 2023).

#### **2.4.4. European regulations on artificial intelligence**

##### **Brief characteristic of the Act**

In late 2022, the European Council adopted a joint stance on the AI Act whose aim was to *“ensure that artificial intelligence (AI) systems placed on the EU market and used in the Union are safe and respect existing law on fundamental rights and Union values.”*<sup>19</sup>.

The Act strives to promote innovation and the introduction of AI technologies in Europe without threatening the fundamental rights of EU citizens. The proposed regulation promotes investments and innovation in AI, strengthens the administration and effective implementation of existing legal regulations in the area of fundamental rights of safety, and facilitates the development of a single market for AI applications. The Act

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<sup>19</sup> RADA EVROPSKÉ UNIE. Akt o umělé inteligenci: Rada vyzvala k podpoře bezpečné umělé inteligence, která respektuje základní práva [online]. December 6, 2022 [quoted on 2023-05-16]. Available on: <https://www.consilium.europa.eu/cs/press/press-releases/2022/12/06/artificial-intelligence-act-council-calls-for-promoting-safe-ai-that-respects-fundamental-rights/>

supplements other initiatives, such as the Coordinated Plan on Artificial Intelligence which aims to accelerate AI investments in Europe.

The Act expressly forbids certain AI procedures. For instance, the use of AI systems for social credit rating will not be allowed. Generally speaking, it will not be possible to use AI systems which abuse the vulnerability of specific groups of people, including those who are vulnerable on account of their social or economic situation.

The Act introduces a high-risk AI systems classification and makes related requirements in order to assess whether or not the systems can be used. These are, for instance, requirements on data quality or technical documentation small- and medium-sized businesses are to draw up, proving their high-risk AI systems are in compliance. Because AI systems are developed and distributed via complex value chains, the Act details the distribution of duties and tasks of various actors in these chains, especially AI systems providers and users. It also clarifies the relationship between the obligations imposed by itself and those already levied by other legal regulations, such as the relevant EU regulation on data protection or industry legal regulations (e.g. financial services).

As formulated, the Act contains provisions to address situations where AI systems are used for many different purposes (general-purpose AI) and subsequently integrated in other systems where they can become high-risk. The Act stipulates that in such cases certain requirements on high-risk AI systems would also apply to general-purpose AI. Nevertheless, such requirements would not be applied directly—the implementing act will specify how they should be applied in relation to AI systems, based on consultations and detailed impact assessment, taking into account these systems' specific properties and the related value chain, technical feasibility, and development of the market and technology.

The Act will not apply to certain specific situations. For example, the use of AI systems for the purposes of national safety or defence and military purposes will not fall under the AI Act. Furthermore, the AI Act will not apply to AI systems and their outcomes used exclusively for research and development, and to the obligations of persons who use AI

for non-professional purposes which, excepting transparency-related obligations, do not fall within the scope of the AI Act.

The Act addresses the issue of market supervision. A Council for Artificial Intelligence will be established to play an autonomous role in the structure of administering the AI Act. To ensure stakeholders participate in all issues related to the implementation of the AI Act, including the drawing-up of implementing acts and delegated acts, a new requirement was added for the Council to form a standing sub-group which would serve as a platform for a wide range of stakeholders. Regarding sanctions for violating the Act's provisions, the wording will ordain fairer limit values for administrative fines given to small- and medium-sized businesses and start-ups.

Regarding the use of high-risk AI systems, the Act's transparency section lists relevant duties of the affected actors. For example, some of the high-risk AI systems users who are public entities will be obligated to register in a high-risk AI systems EU database. The users of AI systems based on emotion recognition will have the duty to inform natural persons of their exposure to such a system. If a natural or legal person believes the stipulations of the AI Act were violated, they can make a complaint to a relevant market supervision body where the complaint will be processed as per the body's special procedures.

The Act formulates measures to promote AI innovation. Among other things, it will be possible to test innovative AI systems in real conditions. Moreover, the document contains provisions which, when special circumstances and guarantees are in place, allow for AI systems to be tested in real circumstances with no supervision. For the purposes of lessening the administrative burden on smaller businesses, the Act contains a list of measures to be adopted in order to support these economic entities, and will define certain limited, clearly delineated exceptions (Rada EU, 2022).

### **High-risk AI systems in education and employment**

AI systems in employment and education are among those the Act<sup>20</sup> lists as high-risk.

Regarding *education (including training)* the Act states that AI systems can be high-risk especially when it comes to:

- authorising access to educational and training institutions;
- assigning people to such institutions;
- testing people as a part of or prerequisite for their education.

When applied to education (including training), the risk AI systems pose is that they can determine the course of people's education and professional life, affecting their ability to earn a livelihood. If these systems are designed and used incorrectly, they can violate the right to education and training and the right to non-discrimination. They could also reinforce historic patterns of discrimination.

Regarding *employment, managing workers, and access to self-employment*, the Act states that AI systems can pose a great risk especially when it comes to:

- recruiting and selecting employees;
- making decisions on promotion or lay-offs;
- assigning tasks;
- monitoring or evaluating people in contractual labour relationships.

When applied to employment, managing workers, and access to self-employment, AI systems could have a significant influence on the future professional prospects and livelihood of those affected. Throughout the recruitment process and evaluating, promoting, or retaining people in contractual labour relationships, the systems could reinforce historic patterns of discrimination, e.g. against women, certain age groups, the disabled, or people of certain racial or ethnic origins or sexual orientations. AI systems

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<sup>20</sup> RADA EVROPSKÉ UNIE. Akt o umělé inteligenci: Rada vyzvala k podpoře bezpečné umělé inteligence, která respektuje základní práva [online]. December 6, 2022 [quoted on 2023-05-16]. Available on: <https://www.consilium.europa.eu/cs/press/press-releases/2022/12/06/artificial-intelligence-act-council-calls-for-promoting-safe-ai-that-respects-fundamental-rights/>

used to monitor the performance and behaviour of such people could also affect their right to data protection and privacy<sup>21</sup>.

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<sup>21</sup> RADA EVROPSKÉ UNIE. Návrh aktu o umělé inteligenci [online]. 21. 4. 2021 [quoted on 2023-05-16]. Available on: <https://data.consilium.europa.eu/doc/document/ST-8115-2021-INIT/cs/pdf>



### 3. Minimum wage in Czechia, and international comparison

This chapter deals with the state and development of minimum wage in Czechia, and provides an international comparison. It lists examples from abroad concerning the issue of minimum wage in social dialogue, including responses to growing inflation. Attention is also paid to the new EU directive on minimum wage, and to the idea of a minimum decent wage and a set of proposals to improve the income level in Czechia.

#### 3.1. Starting points

The minimum wage institute is an economic tool with a significant effect on the functioning of the labour market. Legal regulations on minimum wage can impact various aspects of behaviour in the labour market. Employment, working hours, earnings, wage inequality, societal distribution of income, participation in the labour market, unemployment, secondary effects on other wages, and aggregate wages are among such dimensions<sup>22</sup>. The minimum wage institute is a measure that regulates the lowest wage limit. Its very existence and influence has advocates and opponents. Those criticising minimum wage point to, for example, the risk of an unemployment growth (e.g. among the low-skilled or young), interference in market mechanisms, etc.

On the other hand, those promoting the minimum wage institute primarily emphasise combating poverty and decreasing income inequalities in societies.

**For instance, sources list the following specific arguments in support of minimum wage:**

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<sup>22</sup> Minimum Wages in Canada: Theory, evidence and policy [online]. [quoted on 2023-05-17]. Available on: [https://web.archive.org/web/20120402010131/http://www.hrsdc.gc.ca/eng/labour/employment\\_standards/fls/research/research11/page03.shtml](https://web.archive.org/web/20120402010131/http://www.hrsdc.gc.ca/eng/labour/employment_standards/fls/research/research11/page03.shtml)

- Minimum wage increases growth and job creation;<sup>23</sup>
- Minimum wage improves the living conditions of the poorest and most vulnerable social classes, and improves average living conditions;
- It stimulates consumption as it gives more finances to those with low incomes who then spend more money, thus increasing the circulation of money in the entire economy;
- The increased income received by those earning the least reduces the expenses on social programmes meant to support them;
- It improves the work ethic of those earning the least since employers demand a higher return on the raised investment in their employment;<sup>24</sup>
- Minimum wage eliminates financial stress and promotes education, resulting in better paid workers;<sup>25</sup>
- Minimum wage improves the motivation to accept a job, unlike other forms of social measures supporting the incomes of the poor as those are not tied to employment (such as subsidising food to the poor or social benefits for the unemployed);<sup>26</sup>
- It accelerates technological development and promotes the effectiveness and automation of industry. When the price of work grows, expensive technology increasing business effectiveness becomes more attractive.<sup>27</sup>

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<sup>23</sup> WOLCOTT, Ben. Job Creation Faster in States that Raised the Minimum Wage. [online] 2014. CEPR Blog | CEPR. [cepr.net](https://web.archive.org/web/20190323203721/http://cepr.net/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage) [quoted on 2023-05-17]. Available on: <https://web.archive.org/web/20190323203721/http://cepr.net/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage>

<sup>24</sup> FOX, Liana. Minimum wage trends: Understanding past and contemporary research. Economic Policy Institute [online]. October 24, 2006 [quoted on 2023-05-17]. Available on: <https://www.epi.org/publication/bp178/>

<sup>25</sup> SUTCH, Richard. The Unexpected Long-run Impact of the Minimum Wage: an Educational Cascade [online]. 1050 Massachusetts Avenue: NATIONAL BUREAU OF ECONOMIC RESEARCH, September 2010. [quoted on 2023-05-17]. Available on: [https://www.nber.org/system/files/working\\_papers/w16355/w16355.pdf](https://www.nber.org/system/files/working_papers/w16355/w16355.pdf)

<sup>26</sup> FREEMAN, Richard B. Minimum Wages – Again!. International Journal of Manpower. [online]. 1994-02, year 15, no 2/3, p. 8–25. [quoted on 2023-05-17]. Available on: <https://www.emerald.com/insight/content/doi/10.1108/01437729410059305/full/html>

<sup>27</sup> Minimum Wages in Canada: Theory, evidence and policy [online]. [quoted on 2023-05-17]. Available on: [https://web.archive.org/web/20120402010131/http://www.hrsdc.gc.ca/eng/labour/employment\\_standards/fls/research/research11/page03.shtml](https://web.archive.org/web/20120402010131/http://www.hrsdc.gc.ca/eng/labour/employment_standards/fls/research/research11/page03.shtml)

### 3.2. Minimum wage in Czechia and compared with other countries

The minimum wage concept is present in many countries in Europe and around the world. In Czechia (and in the former Czechoslovakia), the minimum wage institute has been in effect since 1991.

Act No. 262/2006, Coll. (Labour Code) defines minimum wage as the smallest acceptable remuneration for work in a basic labour relation, where employment, as well as legal relationships based on agreements on work performed outside employment, constitute labour relations. The amount of wage, salary, or agreed-on remuneration cannot drop below the minimum wage. For this purpose, wage and salary do not include wage or salary for overtime, bonuses for working on holidays, at night, in difficult working environments, or on weekends<sup>28</sup>.

Additionally, the Labour Code stipulates how minimum wage amount is calculated. The basic rate of minimum wage and other minimum wage rates, scaled according to the influences which limit the employability of workers, as well as the terms of minimum wage provision, is ordained by government regulations, usually effective as of the start of the calendar year, taking into account the development of wages and consumer prices.

Since 1991, the basic minimum wage rate has been adjusted 25 times<sup>29</sup>, most recently with effect from January 2023<sup>30</sup>.

**Chart 1: Development of the minimum wage rate (February 1991–January 2023)**

Period	Minimum wage amount	
	In CZK per month	in CZK per hour
1991 February	2000	10.80
1992 January	2200	12.00

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<sup>28</sup> Zákon č. 262/2006 Sb., zákoník práce. Příručka pro personální agendu a odměňování zaměstnanců [online]. [quoted on 2023-05-17]. Available on: [https://ppropo.mpsv.cz/zakon\\_262\\_2006/#3053245](https://ppropo.mpsv.cz/zakon_262_2006/#3053245)

<sup>29</sup> Effective as of June 13 2023

<sup>30</sup> MPSV. Přehled o vývoji částek minimální mzdy: Vývoj minimální mzdy od jejího zavedení v roce 1991. [online]. [quoted on 2023-05-17]. Available on: <https://www.mpsv.cz/prehled-o-vyvoji-castek-minimalni-mzdy>

1996 January	2500	13.60
1998 January	2650	14.80
1999 January	3250	18.00
1999 July	3600	20.00
2000 January	4000	22.30
2000 July	4500	25.00
2001 January	5000	30.00
2002 January	5700	33.90
2003 January	6200	36.90
2004 January	6700	39.60
2005 January	7185	42.50
2006 January	7570	44.70
2006 July	7955	48.10
2007 January	8000	48.10
2013 August	8500	50.60
2015 January	9200	55.00
2016 January	9900	58.70
2017 January	11,000	66.00
2018 January	12,200	73.20
2019 January	13,350	79.80
2020 January	14,600	87.30
2021 January	15,200	90.50
2022 January	16,200	96.40
<b>2023 January</b>	<b>17,300</b>	<b>103.80</b>

*Source: Ministry of Labour and Social Affairs of the Czech Republic, 2023*

Based on Eurostat data<sup>31</sup>, the minimum wage amount in Czechia can be compared to minimum wage levels in other European countries. Most EU states do have the minimum wage tool, with the exception of Denmark, Italy, Austria, Finland, and Sweden where income levels are determined primarily via collective bargaining.

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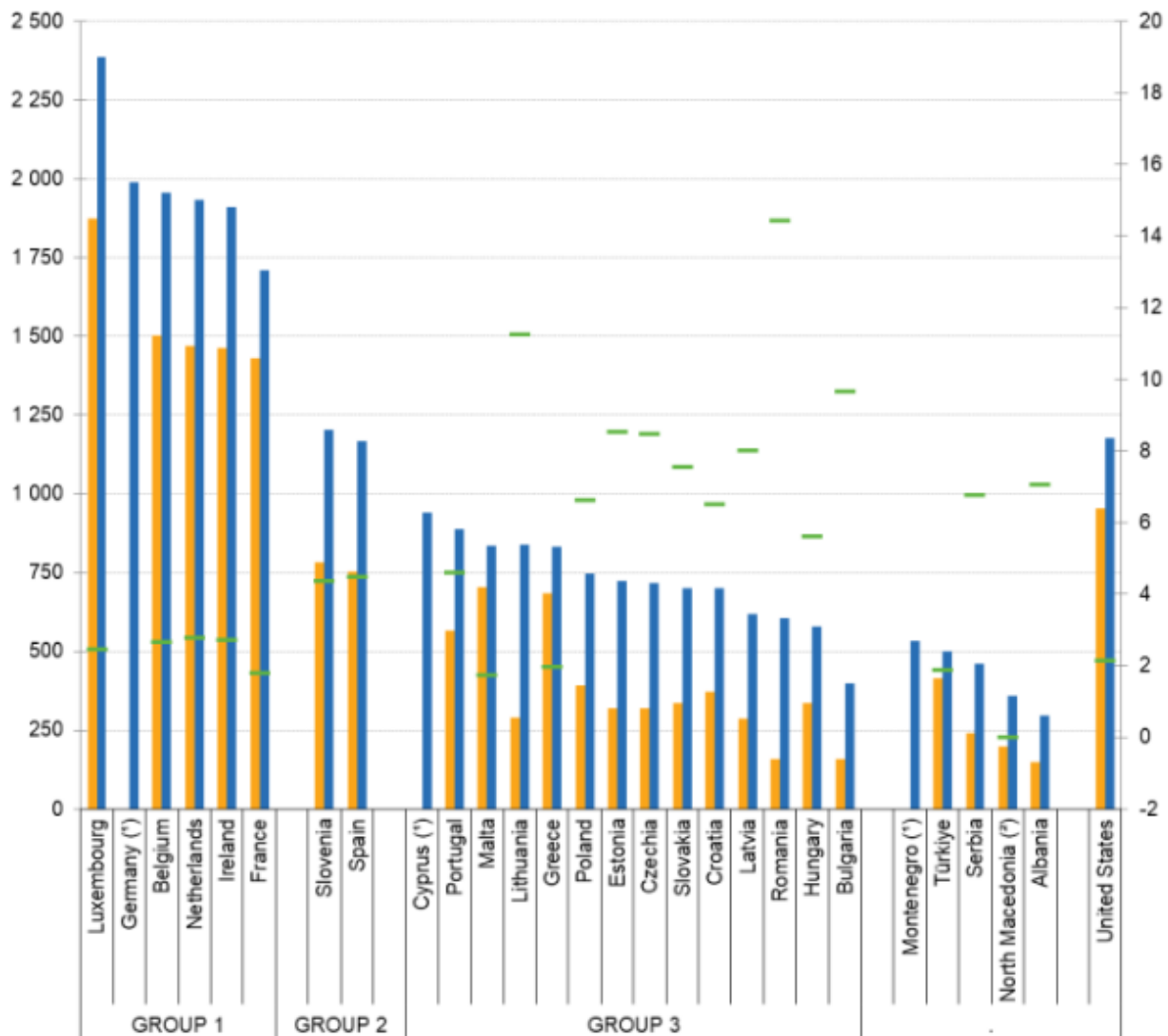
<sup>31</sup> EUROSTAT. Minimum wage statistics. Eurostat Statistics Explained [online]. [quoted on 2023-05-17]. Available on: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum\\_wage\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics)

In January 2003, the minimum wage amount in the EU, expressed in euros, fluctuated wildly, from 399 euros (Bulgaria) to 2387 (Luxembourg). Besides Luxembourg, the group of countries where minimum wage exceeds 1500 euros also includes Germany, Belgium, the Netherlands, Ireland, and France. Slovenia and Spain make up another group where minimum wage exceeds 1000 euros.

The third (and largest) group of countries where the minimum wage amount is less than 1000 euros is made up of Cyprus, Portugal, Malta, Lithuania, Greece, Poland (countries which either meet or exceed the 750-euro limit), then Estonia, Czechia, Slovakia, Croatia, Latvia, Romania, Hungary, and Bulgaria, the only EU state where minimum wage is not even 500 euros.

The following image ranks the EU states which use minimum wage, including candidate countries, by the minimum wage amount as of January 2023. The orange columns show the minimum wage amount from 10 years ago, i.e. January 2013. The green marks show the average annual growth of minimum wage in individual countries (see the right axis), expressed in percentages.

**Image 3: Minimum wage in the EU, January 2023 and January 2013 (monthly euro values, average annual growth in percentages)**



Source: Eurostat, 2023

Over the past ten years, the group of countries with the highest minimum wage has seen the slowest minimum wage growth—ca 2–3% a year. Minimum wage has grown at a similarly low rate in Malta and Greece, although these are among countries where the minimum wage amount does not even equal 1000 euros.

The average annual growth of minimum wage in the second group of countries (minimum wage ranging from 1000 to 1500 euros), i.e. in Spain and Slovenia, went slightly over 4%.

The greatest minimum annual growth of minimum wage was seen in most of the countries from group 3 (up to 1000 euros). Czechia's average annual minimum wage growth exceeded 8%, similarly to Estonia, Latvia, or Slovakia's (Eurostat, 2023).

### **Minimum wage in Europe, expressed in purchasing power parity**

Clearly, there are marked differences in the minimum wage amount among individual EU states. The data above, however, does not take into account different price levels. Using purchasing power parity (PPP) to account for these differences gives us a clearer picture<sup>32</sup>.

The minimum wage gap closes significantly once differences in price levels are taken into account.

Below, image 4 compares gross minimum wage as of January 1, 2023 once differences in price levels in individual countries are accounted. This is done using purchasing power parity (PPP) for household final consumption expenditure. The change narrows the gap between individual countries. With regard to purchasing power parity, EU member states with a national minimum wage can be divided in two groups (candidate countries and USA are also listed, separately). The values are expressed in PPS (purchasing power standard).

The first group is made up of countries where national minimum wage exceeds 1000 PPS, e.g. Germany, Luxembourg, Belgium, the Netherlands, France, Slovenia, Ireland, Poland, Spain, Lithuania, Romania, and Cyprus. The national minimum wage ranges from 1038 PPS in Cyprus to 1843 PPS in Germany.

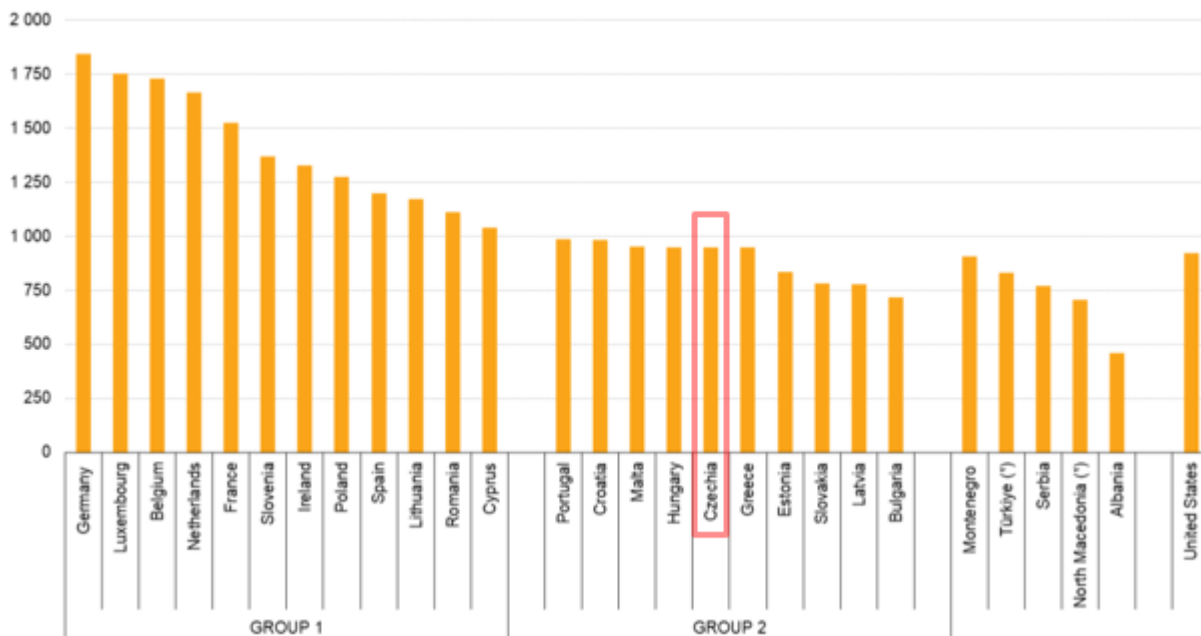
The second group consists of countries where the national minimum wage is lower than 1000 PPS: Portugal, Croatia, Malta, Hungary, Czechia, Greece, Estonia, Slovakia, Latvia,

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<sup>32</sup> Purchasing power parity measures price level differences in individual countries, showing how many monetary units a given volume of goods and services in different countries costs. Using purchasing power parity to convert expenditures expressed in national currencies to an artificial common currency (purchasing power standard or PPS) eliminates price level differences in individual countries which arise as a result of exchange rate fluctuations.

and Bulgaria. The national minimum wage ranges from 717 PPS in Bulgaria to 987 PPS in Portugal (Eurostat, 2023).

**Image 4: Minimum wage monthly, as a purchasing power standard (EU, PPS, January 2023)**



Source: Eurostat, 2023

### 3.3. Minimum wage amount in relation to median gross earnings

Further insight into the minimum wage level in Czechia and Europe is offered by the ratio of the minimum wage amount to median gross income. Data availability is a certain limitation since data on earnings is based on the 2018 SES results (Structure of Earning Survey).

National minimum wage as of July 1, 2018, expressed in euros. was divided by the median gross earnings ascertained by the Structure of Earning Survey. As the 2018 SES



data shows<sup>33</sup>, the resulting ratio in EU ranged from 42% (Estonia) to 66% (France), including part-time workers.

In 2018, minimum wage amounted to more than 60% of median gross wage only in four Member States: France (66%), Portugal (64%), Slovenia (62%), and Romania (61%).

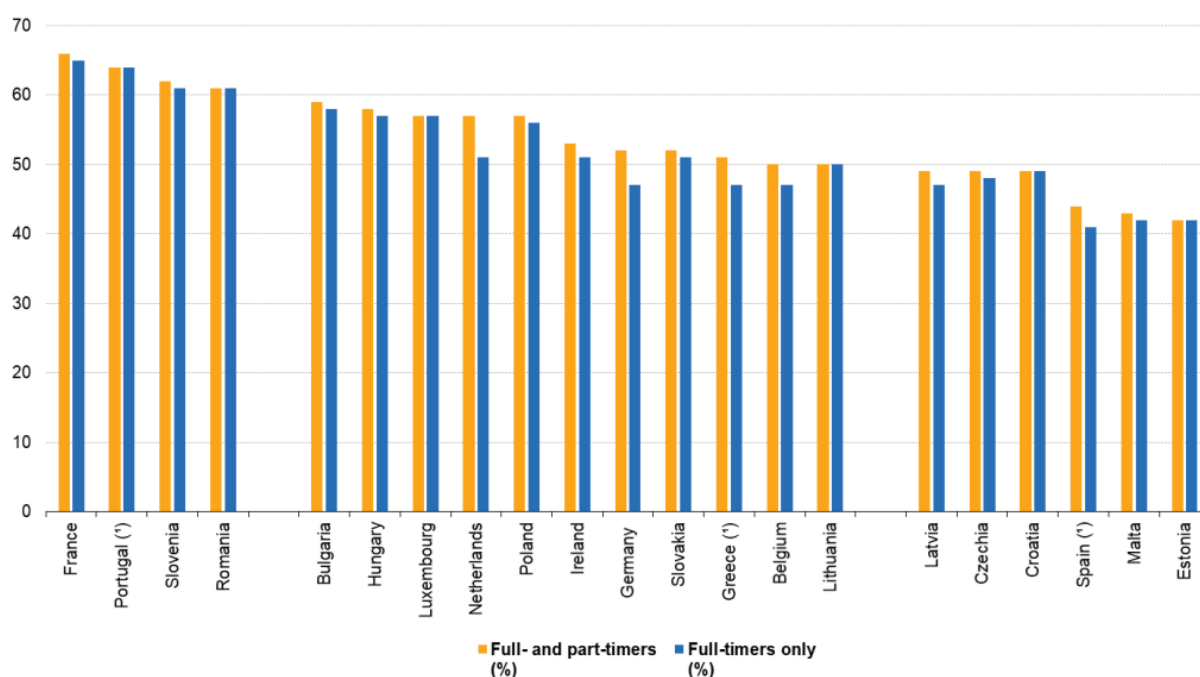
In eleven Member states, minimum wage ranged from 50% to 60% of median gross wage: Bulgaria (59%), Hungary (58%), Luxembourg, the Netherlands, and Poland (57% for all), Ireland (53%), Germany and Slovakia (52% in both), Greece (51%), Belgium and Lithuania (50% in both). In six Member States, minimum wage was less than one half of median earnings: Czechia, Croatia, and Latvia (all 49%), Spain (44%), Malta (43%), and Estonia (42%, Eurostat, 2023).

The image below illustrates these findings. The yellow columns stand for full- and part-time workers; the blue columns represent data for full-time workers only.

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<sup>33</sup> EUROSTAT. Minimum wage statistics. Eurostat Statistics Explained [online]. [quoted on 2023-05-17]. Available on: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum\\_wage\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics)

**Image 5: Minimum wage to median gross wage ratio (EU, 2018, %)**



Source: Eurostat, 2023

OECD data provides similar results<sup>34</sup>. This data set for OECD countries contains annual data on minimum wage in relation to the median wage of full-time workers. Additionally, to provide a comparison between individual countries, the data on minimum wage levels is supplemented with another minimum wage measure, i.e. its relation to average wage. Median values serve the purposes of international comparisons better than arithmetic averages do as the former takes into account the differences in earnings distribution in individual countries. To give an overview, however, a comparison is provided both for median and average wage.

Czechia ranks at the bottom in both OECD overviews. The country's minimum-to-medium and minimum-to-average wage ratios are both relatively low.

<sup>34</sup> OECD. OECD Employment and Labour Market Statistics: Minimum wages relative to median wages. OECDiLibrary [online]. [quoted on 2023-05-17]. Available on: [https://www.oecd-ilibrary.org/employment/data/earnings/minimum-wages-relative-to-median-wages\\_data-00313-en](https://www.oecd-ilibrary.org/employment/data/earnings/minimum-wages-relative-to-median-wages_data-00313-en)

To provide more context and assess suitability, let us mention e.g. the Kaitz index which considers a minimum wage adequate if it amounts to at least 50% of a country's average gross wage and 60% of its median wage<sup>35</sup>.

According to OECD findings, in 2021 Czechia's values were 37% (average wage), and 43% (median wage).

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<sup>35</sup> KAITZ, H. B. Experience of the Past: The National Minimum: Youth Unemployment and Minimum Wages. 1970. Bulletin of the United States Bureau of Labor Statistics

**Chart 2: Minimum wage in relation to the median wage of full-time workers  
(selected OECD countries, 2013-2021)**

		Minimum wage as a share of median wage, %								
		2013	2014	2015	2016	2017	2018	2019	2020	2021
Country										
Chile		67.1	67.6	66.2	68.8	70.2	70.5	71.9	72.7	71.9
New Zealand		59.1	59.8	60,0	60.5	60.3	61.3	64.4	64.6	67.6
Portugal		52.2	54.8	56.3	58.5	60.1	63.2	63.2	65.6	66.2
South Korea		44.2	45.8	48.5	50.4	52.8	58.5	62.6	62.4	61.3
France		62.8	62.5	62.3	62,0	61.7	61.6	61.4	61.1	60.9
Slovenia		63.7	60,0	59.7	58.7	58.2	58.2	58.7	58.8	60.4
United Kingdom		47.1	47.9	48.6	52.7	53.5	54.4	55.1	57.5	56.9
Poland		49.5	51,0	51.2	52.6	53.9	51.2	51.2	55.5	55,0
Romania		47.7	51.3	54.9	55.7	59.6	58.3	56.5	57,0	54.8
Luxembourg		54.8	54.9	54.4	54,0	54.4	54.7	55.4	53.8	54.8
Slovakia		45.5	45.1	47.3	47.7	47.9	49.2	49.3	51.7	52.4
Israel		57.4	54.8	57,0	57.6	58,0	58,0	56.3	52.8	51.5
Australia		53.9	53,0	53.2	53.8	54.2	53.5	53.8	52.6	51.5
Germany		..	..	48.1	47.1	48.5	47.6	49.7	50.2	51.1
Greece		43.3	42,0	42.3	43.9	43.2	45.5	49.7	50.5	49.8
Canada		44.3	45,0	44.5	45.7	45.7	51.4	51.2	48.9	49.5
Spain		37.8	36.9	37,0	37.6	39.9	41,0	49.5	51.4	48.4
Lithuania		55.7	51.1	51.8	55.8	53.5	49.6	49.1	48.8	46.7
Netherlands		46.6	46.8	46.6	46.9	47.3	47.1	47.1	46.6	46.3
Ireland		44.6	40.4	39.2	42.3	42.1	49.6	48.8	47.8	46.1
Hungary		53.8	53.5	52.5	51.1	52,0	50.5	49.3	48.3	45.2
Japan		39,0	39.2	39.6	40.3	41.5	42.6	43.6	45.1	44.9
Belgium		49.3	47.2	45.3	45.7	45.2	42.6	42.5	43.9	44.7
<b>Czechia</b>		<b>36.8</b>	<b>37.2</b>	<b>38.7</b>	<b>39.6</b>	<b>40.9</b>	<b>41.8</b>	<b>42.9</b>	<b>43.9</b>	<b>43.2</b>
Estonia		38.8	39.8	41.3	42.3	43.4	43,0	43.3	45.5	42.6
Latvia		46.6	49.2	51.8	50.7	48.3	46.7	43.4	40.5	42.3
USA		37.3	36.6	35.8	34.8	33.7	32.7	31.6	29.4	29,0

Source: OECD, 2023

From 2013 to 2021, the Czech minimum to median wage ratio rose by ca 6.5% but has been stagnating in recent years. Slightly exceeding 43%, the Czech minimum wage does not meet the adequacy limit set by the Kaitz index (60% of the median wage).

Nevertheless, most of the countries listed do not manage to clear the adequacy limit regarding the minimum-to-median wage ratio. In this respect, only workers in Chile, New Zealand, Portugal, South Korea, France, and Slovenia receive an adequate minimum wage.

The United Kingdom and Poland approach the recommended value as their ratio is at least 55% and more.

An even lower minimum-to-median wage ratio than in Czechia can be seen in Estonia, Latvia, and the USA. Of these, the index shows a positive, growing trend only in Estonia<sup>36</sup>.

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<sup>36</sup> OECD. OECD Employment and Labour Market Statistics: Minimum wages relative to median wages. OECDiLibrary [online]. [quoted on 2023-05-17]. Available on: [https://www.oecd-ilibrary.org/employment/data/earnings/minimum-wages-relative-to-median-wages\\_data-00313-en](https://www.oecd-ilibrary.org/employment/data/earnings/minimum-wages-relative-to-median-wages_data-00313-en)

**Chart 3: Minimum wage in relation to the average wages of full-time workers  
(selected OECD countries, 2013-2021)**

		Minimum wage as a share of average wage, %								
		2013	2014	2015	2016	2017	2018	2019	2020	2021
Country										
New Zealand		50.5	50.8	51,0	51.3	51.8	52.3	54.9	55.5	57.1
Slovenia		51.9	49.4	49.2	48.4	47.9	48.7	49.1	49.1	50.5
Chile		44.6	44.9	46.2	48.1	47.2	47.4	48.3	49.7	49.2
France		50.6	50.5	50.3	50,0	49.8	49.7	49.6	49.3	49.2
South Korea		35,0	35.7	37.8	39.7	41.4	46,0	49.4	49.5	48.8
United Kingdom		38.9	39.8	40.5	43.7	44.3	44.7	45.5	47.5	47.5
Portugal		35.5	39.2	40.2	41.8	42.9	44.5	44.5	46.2	46.6
Germany		..	..	42.5	41.8	42.8	42.1	44.1	44.3	45.1
Poland		39.6	40.8	41,0	42.5	43.5	41.9	41.9	45.4	45,0
Canada		39.4	39.7	39.7	40,0	40.7	44.9	45,0	43.7	43.8
Australia		43.7	43.6	44.2	44.6	44.7	44.7	44.5	44.8	43.5
Luxembourg		45.1	44.6	44.2	43.8	44.1	43.3	43.9	42.6	43.4
Belgium		41.2	39.8	39.5	39.4	39.4	39.1	38.9	40.3	40.9
Spain		31.8	31.2	31.2	31.8	33.7	34.3	41.4	43,0	40.5
Romania		34.8	37.5	40.1	40.7	43.5	42.6	41.3	41.6	40.1
Greece		36.9	35.7	35.9	37.3	36.7	36.3	39.7	40.3	39.8
Israel		42,0	41,0	42.3	43,0	43.7	44.3	43,0	40.3	39.3
Slovakia		35.9	36.6	36.9	37.5	38.1	39.4	39.8	41.9	39.3
Japan		33.9	34.1	34.3	35.1	36.2	37,0	37.9	39.2	39.2
Netherlands		40,0	39.5	39.2	39.5	39.8	39.6	39.6	39.2	38.9
Lithuania		44.4	41.3	41.9	45.1	43.3	41.1	40.7	40.4	38.7
<b>Czechia</b>		<b>31.3</b>	<b>31.7</b>	<b>33,0</b>	<b>34,0</b>	<b>35.3</b>	<b>36.2</b>	<b>37.1</b>	<b>37.7</b>	<b>37.2</b>
Estonia		32.6	34,0	35.2	36.1	37,0	36.7	36.9	38.8	36.3
Ireland		36.4	33.8	33.4	35,0	35.3	38.9	38.3	37.1	35.8
Hungary		40.1	40.2	39.6	39,0	40.1	40.1	37.8	37.2	35.3
Latvia		37.3	39.4	41.4	40.6	38.6	37.5	35,0	32.9	34.3
USA		26.7	26.6	25.1	24.8	24.2	23.2	22.3	21.1	20.4

Source: OECD, 2023

In Czechia, the minimum-to-average wage ratio has been growing in the long term—by 6% from 2013 to 2023 (from 31% to 37%). Still, the Czech minimum wage does not clear the adequacy limit set by the Kaitz index in relation to the average wage (50%).

Most of the countries listed above do not manage to clear the Kaitz minimum wage adequacy standard in relation to the average wage either. In this respect, only workers in New Zealand and Slovenia receive an adequate minimum wage.

Chile, France, South Korea, United Kingdom, Portugal, Germany, and Poland where the ratio is 45% and above at least approach the recommended value.

In Estonia, Ireland, Hungary, Latvia, and USA, the minimum-to-average wage ratio is even lower than in Czechia. Of these, only Estonia shows a positive, growing trend (OECD, 2023).

### **3.4. The idea of a minimum decent wage**

A minimum decent wage is a concept which aims to supplement the discussion on minimum incomes by focusing on the expenses of the employed. An expert group concerned with the topic of a minimum decent wage in Czechia defines the concept as follows:

*“Minimum decent wage is a remuneration for work done in regular working hours, providing workers and their households with enough financial means to live a life perceived by most members of their society as a basic standard. It should cover the cost of food and housing, clothing, transportation, healthcare, education, and leisure, as well as other expenses, including emergency savings. It is supposed to facilitate an ordinary life that is nonetheless decent in material terms, and make those receiving it full-fledged members of their society.”<sup>37</sup>*

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<sup>37</sup> PLATFORMA PRO MINIMÁLNÍ DŮSTOJNOU MZDU. Co to je důstojná mzda? [online]. [quoted on 2023-05-17]. Available on: <https://www.dustojnamzda.cz/co-to-je/>

The fact that the expenses of the employed are taken into account differentiates the idea of a minimum decent wage from an average, median, or minimum wage.

Average and median wages are statistical values describing factual, current wage distribution in a society. They describe incomes but do not account for expenses of those receiving such wages.

Minimum wage is a political tool for influencing the income side of the labour market. Its amount is dependent on tripartite negotiations between the government, unions, and employers. It does not account for expenses either (i.e. what can be purchased for such negotiated incomes and for how much).

Conversely, the idea of a minimum decent wage characteristically incorporates the expense side of the issue. It is based on the notion that paid work done in the standard scope should allow workers to lead a decent life. Thus, it introduces workers' living conditions into the earnings debate.

Minimum decent wage also differs from such poverty identification tools or poverty measures as:

- Material deprivation (individuals or households struggle to cover their basic living needs);
- Income poverty (a risk to individuals or households with significantly lower incomes than what the rest of the society receives);
- Subsistence level income (tool determining the minimum sum needed for survival).

In this respect, the minimum decent wage tool covers the population segment living in so-called economic uncertainty, blanketed by a state of outright poverty on one end and of modest (minimum) material security on the other. This segment is made up of people who are able to cover the cost of their immediate survival but can have trouble managing other common expenses<sup>38</sup>.

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<sup>38</sup> PLATFORMA PRO MINIMÁLNÍ DŮSTOJNOU MZDU. Co to je důstojná mzda? [online]. [quoted on 2023-05-17]. Available on: <https://www.dustojnamzda.cz/co-to-je/>



**Chart 4: The development of gross minimum decent wage (2019–2022)**

		2019		2020		2021*		2022	
		Czechia	Prague	Czechia	Prague	Czechia	Prague	Czechia	Prague
<b>MDW</b>	<b>in</b>	31,463,-	36,850,-	32,438,-	37,987,-	31,146,-	36,717,-	40,912,-	42,776,-
<b>CZK</b>									
<b>Percentage of jobs earning less than MDW</b>		<b>Ca 50%</b>		<b>Ca 50%</b>		<b>41%</b>		<b>63%</b>	

Source: *The Minimum Decent Wage Platform, 2023*

Note: \*As a result of the abolishing of the super gross wage, a lower gross wage is enough to pay the costs of decent life. Just 13% of the tax savings made by abolishing super gross wages went to people not receiving a decent income.

### **Recommendations of the Minimum Decent Wage Platform to improve the income level in Czechia:**

- Strengthening union organising and collective agreement coverage;
- Anchoring decent remuneration in public contracts as a part of green transformation measures and other subsidy programmes and grants;
- Establishing decent salary packages in the public sector;
- Setting minimum remuneration standards (minimum and guaranteed wages) and unforfeitable portions, taking into account the decent minimum;
- Reforming taxes to take into account the notion of a decent life;
- Expanding the offer of complimentary, available public services and basic commodities;
- Moving wage-replacement benefits closer to the decent minimum;
- Adequately responding to the arrival of Ukrainian refugees, preventing social dumping;

- Other ways of using the minimum decent wage tool to push for increasing wages, salaries, and other incomes.

Relevant recommendations to unions are further detailed below.

### **Strengthening union organising and collective agreement coverage**

In terms of the future of unions and the possibilities of social dialogue, the very first recommendation is the most relevant. According to the Minimum Decent Wage Platform, this tool could become the base for collective bargaining on wage/salary demands. However, the role of unions in social dialogue needs to be strengthened by increasing union organising and collective agreement coverage which, in Czechia, is below the European average (just ca every ninth worker in Czechia is unionised; only ca one third of workers is covered by a collective agreement).

Collective bargaining, another feature of social dialogue in Czechia, is relatively uncommon beyond the business level. According to the Minimum Decent Wage Platform, the reason is a limited application of sectoral collective bargaining and the unwillingness of employers to negotiate in this manner<sup>39</sup>.

#### **BOX 1: Link between the wage amount and union organising**

*“One of the reasons why the pressure to increase wages is lower in Czechia than elsewhere in the EU is the relatively low level of union organising. The weak standing of workers is further worsened by the fact that negotiations occur primarily on the business, not sectoral level, unlike in e.g. Germany.”<sup>40</sup>*

Kateřina Smejkalová, The Friedrich-Ebert-Stiftung Foundation

<sup>39</sup> PLATFORMA PRO MINIMÁLNÍ DŮSTOJNOU MZDU. Roadmap k důstojným mzdám v Česku [online]. [quoted on 2023-05-17]. Available on: <https://www.dustojnamzda.cz/co-s-tim/>

<sup>40</sup> KAHÁNEK, Adam. Minimální důstojná mzda loni byla 40 912 korun. Novinky.cz [online]. April 18, 2023 [quoted on 2023-05-17]. Available on: [https://www.novinky.cz/clanek/ekonomika-minimalni-dustojna-mzda-loni-byla-40-912-korun-40429002#dop\\_ab\\_variant=0&dop\\_source\\_zone\\_name=novinky.sznhp.box&source=hp&seq\\_no=7&utm\\_campaign=abtest220\\_personal\\_layout\\_2\\_varBB&utm\\_medium=z-boxiku&utm\\_source=www.seznam.cz](https://www.novinky.cz/clanek/ekonomika-minimalni-dustojna-mzda-loni-byla-40-912-korun-40429002#dop_ab_variant=0&dop_source_zone_name=novinky.sznhp.box&source=hp&seq_no=7&utm_campaign=abtest220_personal_layout_2_varBB&utm_medium=z-boxiku&utm_source=www.seznam.cz)

Additionally, the Platform points to the economic and psycho-social benefits of unionisation. For instance, it mentions that on average wages are 17% higher in businesses engaged in collective bargaining than in organisations which do not participate in collective bargaining. Among other things, a person can eliminate the risk of feeling like they are losing control over their own life, which can lead to political resignation or radicalisation, by unionising. The positive feelings associated with seeing the visible outcomes of social (union) engagement can alleviate these risks.

### **Anchoring decent remuneration in public contracts as a part of green transformation measures and other subsidy programmes and grants**

The government and local administration can require decent working conditions whenever requesting services or providing institutional and project support. Already, the Public Procurement Act includes the condition of social responsibility (Act No. 134/2016 Coll., on public procurement, § 6, article 4<sup>41</sup>). This condition can be implemented by requiring a minimum decent wage, helping to resolve the unfortunate fact that the cheapest service providers tend to be selected. By doing so, the government (local administration) pushes suppliers to pay their employees low wages but also burdens itself with additional expenses in the form of evening up low incomes via benefits systems. The practice also reduces people's trust in the government as a guarantor of justice. The frequently low quality of work is another negative consequence of choosing the cheapest service suppliers since it generates further expenses.

### **Establishing decent salary packages in the public sector**

The government and its organising bodies can set an example when establishing decent conditions. Taking the minimum decent wage parameters into account when drawing up salary tables is a possible solution, especially in respect to experienced workers. The Platform points to USA as an example of good practice. In January 2022, there was a

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<sup>41</sup> Zákon č. 134/2016 Sb.: Zákon o zadávání veřejných zakázek. Zákony pro lidi [online]. April 29, 2016 [quoted on 2023-05-17]. Available on: <https://www.zakonyprolidi.cz/cs/2016-134#p6>

sudden, more than twofold increase in the lowest guaranteed wage to 15 dollars an hour in the U.S. public sector, precisely to ensure decent remuneration<sup>42</sup>.

### **Setting minimum remuneration standards (minimum and guaranteed wages) and the unforfeitable portion, taking into account the decent minimum**

In this case, the Platform appeals to consider the expenses which could be covered from the wage in the process of determining minimum remuneration levels.

The so-called guaranteed wages, tied to the minimum wage, should grow faster. As a matter of priority, this should apply to high-skilled workers and those working in such socially vital professions as healthcare or professions providing basic infrastructure.

### **Expanding the offer of complimentary, available public services and basic commodities**

Government guarantees to preserve existing complimentary or at least price-regulated public services or rather expand them can help make life decent regardless of work-based income. This concerns primarily housing, an issue which has long been left unaddressed; also healthcare, transportation, and culture. In the context of this measure, it is good to point out that accelerating wage amounts is not the only way to provide a decent coverage of basic needs. The current rise in living expenses is so intense that their full compensation via wages is unrealistic for many employers. Additionally, giving up on providing a systemic solution to certain service fields and opting for individual ones may contribute significantly to the price hikes (e.g. the housing market).

### **Moving wage-replacement benefits closer to the decent minimum**

The purpose of many social benefits is to compensate for a wage (e.g. unemployment benefits, sickness benefits, childcare benefits, etc.). These should cover basic expenses at least, a decent material minimum preferably. Ideally, such an amount of benefits should be set as to maintain the current living standard. This measure gains importance especially at our current times, characterised by an increased pressure on labour market

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<sup>42</sup> PLATFORMA PRO MINIMÁLNÍ DŮSTOJNOU MZDU. Roadmap k důstojným mzdám v Česku [online]. [quoted on 2023-05-17]. Available on: <https://www.dustojnamzda.cz/co-s-tim/>

flexibility and by the impact of technological changes on job sustainability. Careers will progress differently than in the past, with more frequent stages of short- and medium-term unemployment or rather periods of improving or changing one's qualifications required in order to stay in or re-enter the labour market. A worker can thus wait for an offer that is in line with their qualifications, experience, and which offers an adequate remuneration.

### **Other options of using the minimum decent wage tool to push for increasing wages, salaries, and other incomes**

Interestingly in this respect, the Minimum Decent Wage Platform proposes using the minimum decent wage amount as a benchmark for employers, a standard for evaluating organisations' wages and for determining economic goals, or as a tool for organisations to present themselves as attractive employers in public<sup>43</sup> (e.g. *as a part of non-financial reporting; author's note*).

## **3.5. Minimum wage and inflation**

The „*Minimum wages in 2022: Annual review*“<sup>44</sup> Eurofound study examines the impact of inflation on European minimum wages in detail. It focuses on the January 2021 to January 2022 period, and although this was just the start of the most difficult period, inflation already began to have a significant effect on real incomes. Therefore, the study is a very good illustration of inflation's effect on the minimum wage. In 2022, the growth of inflation was further stimulated by the war in Ukraine.

Inflation was barely a thing in the European economy for many years but now it is at the forefront. Once economies began to recover from the impact of the COVID-19 pandemic,

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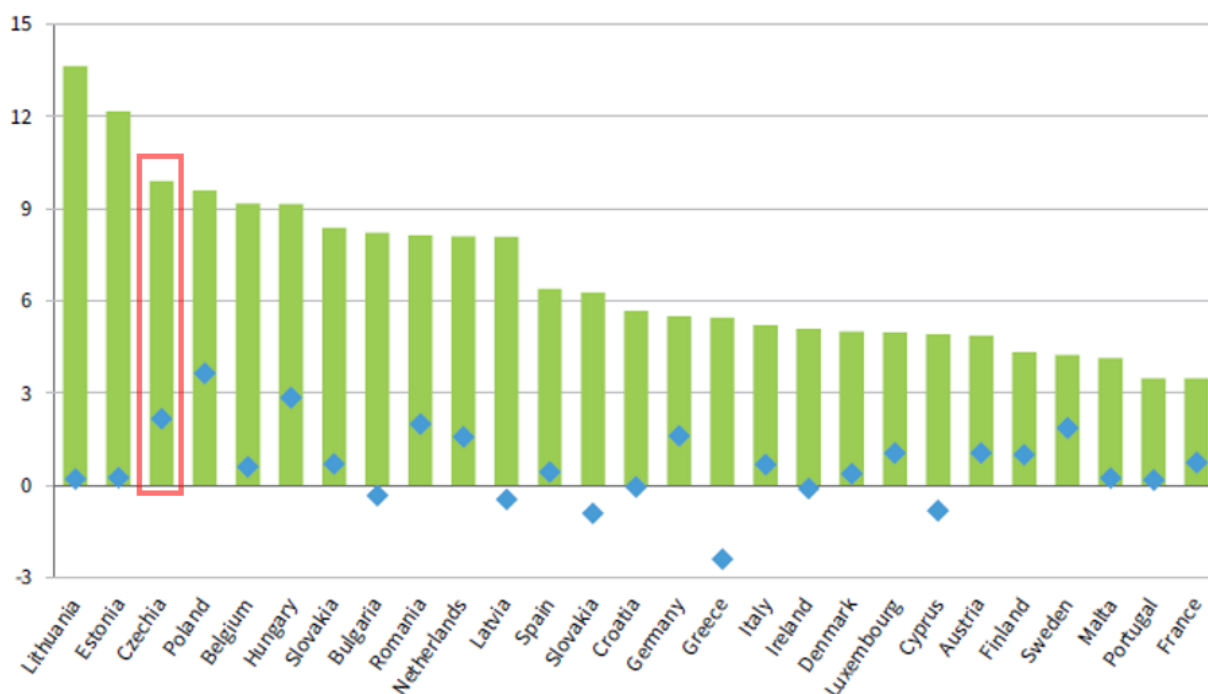
<sup>43</sup> PLATFORMA PRO MINIMÁLNÍ DŮSTOJNOU MZDU. Roadmap k důstojným mzdám v Česku [online]. [quoted on 2023-05-17]. Available on: <https://www.dustojnamzda.cz/co-s-tim/>

<sup>44</sup> EUROFOUND. Minimum wages in 2022: Annual review. Eurofound. Publications Office of the European Union, Luxembourg [online]. June 15, 2022 [quoted on 2023-05-17]. Available on: <https://www.eurofound.europa.eu/publications/report/2022/minimum-wages-in-2022-annual-review>

energy prices rose sharply and new complications in supply chains emerged, fuelling inflation. Further price hike occurred when the war in Ukraine broke out.

EU states are seeing their highest inflation in decades. The following Image 6 compares inflation data from January 2022 with data recorded a year prior. Measured as a year-on-year change in the harmonised index of consumer prices, the average inflation in the EU was almost 6% in January 2022; compare to January 2021 when it was slightly above 1%. In several Central and Eastern European countries, including Czechia, the Baltics, Poland, Hungary, Slovakia, Bulgaria, and Romania, and additionally in Belgium and the Netherlands, inflation was particular high, ranging between 8 and 13%. In all Member States, inflation was much higher in 2022 than in 2021 (Eurofound, 2022).

**Image 6: Year-on-year change in inflation (%), EU Member States, 2021 and 2022**



Source: Eurofound, 2022

Note: Inflation is measured by Eurostat's monthly HICP index (2015 = 100). The 2022 data relates to the change between January 2021 and January 2022; the 2021 data relates to the change between January 2020 and January 2021.

Inflation started to grow significantly in late 2020 and kept growing throughout 2021, further accelerating in 2022. The main factor behind the growth was sharply rising energy

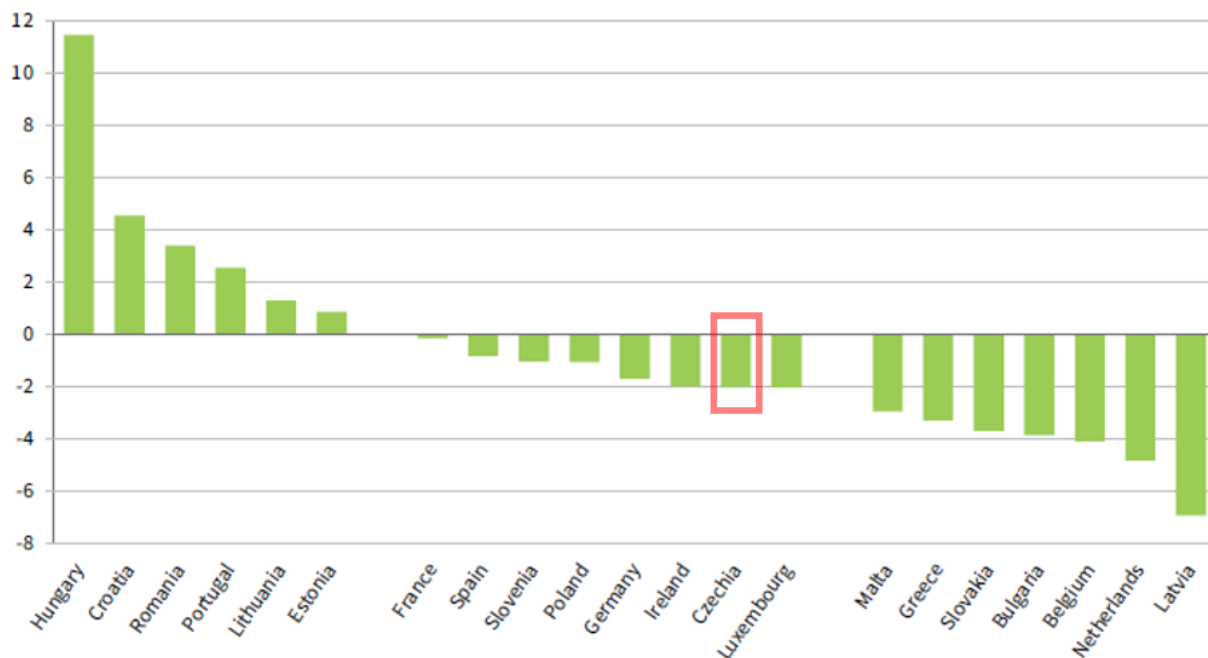
prices (gas, electricity, fuels). Comparatively, inflation in other areas, such as non-energy industrial goods, rent and service prices, did not grow as fast at first. The high energy prices fuel high inflation in other areas, further reducing purchasing parity. In the first half of 2022, it was abundantly clear that the growing energy prices fuelled price hikes in other areas as well—mostly the price of goods but also of industrial goods and services<sup>45</sup>.

Image 7 shows data on the development of real minimum wage rates between January 2021 and January 2022.

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<sup>45</sup> EUROFOUND. Minimum wages in 2022: Annual review. Eurofound. Publications Office of the European Union, Luxembourg [online]. June 15, 2022 [quoted on 2023-05-17]. Available on: <https://www.eurofound.europa.eu/publications/report/2022/minimum-wages-in-2022-annual-review>

**Image 7: Changes in minimum wage, expressed in real values (%), 21 EU Member States, January 2021–January 2022**



Source: Eurofound, 2022

Note: The groups are compiled based on the extent of the change between January 2021 and January 2022. The change is calculated from monthly data on gross minimum wage and Eurostat's monthly HICP index (2015 = 100).

As Eurofound (2022) findings show, EU states can be divided into three groups, depending on various trends in the real development of minimum wages:

- Real minimum wage rate raised: Of 21 EU Member States where a minimum wage is enshrined in law, real rates were raised in less than one third between January 2021 and January 2022—Hungary, Croatia, Romania, and Portugal, and to a lesser degree, i.e. by less than 2%, in Lithuania and Estonia;
- Real minimum wage rate slightly lowered: Slightly more than one third of countries saw a relatively small decrease (up to 2%) in the purchasing parity of people on minimum wage—France, Spain, Slovenia, Poland, Germany, Ireland, Czechia, and Luxembourg. The chart clearly shows that Czechia experienced a 2% decrease in its real minimum wage rate.



- Real minimum wage rate decreased significantly: The remaining third of EU countries is characterised by a significant decrease in the statutory rates, expressed in real values, ranging from a 3% decrease in Malta to 7% in Latvia.

It is clear that real minimum wage has dropped in recent years. For example, the period from January 2020 to January 2021 saw a decrease in statutory minimum wage, expressed in real values, only in four countries (Hungary, Germany, Estonia, and Spain). Conversely, between January 2021 and January 2022 such a decrease occurred in most countries with a statutory minimum wage. How a one-time minimum wage increase (usually in January) handles inflation developing during the year is another issue. The typical pattern of minimum wage development during a calendar year is that the real rate increases sharply in January upon its nominal increase and then as inflation grows it begins dropping throughout the year, one month after another. When there is high inflation, real minimum wage does not grow, on the contrary—there is a marked loss in the purchasing power of minimum-wage employees (unless there is an extraordinary minimum wage increase during the year, see the following box on Belgium).

#### BOX 2: Belgium's minimum wage increase

Belgium is an example of a country responding to inflation growth continuously, adjusting minimum wage increases and increasing the minimum wage rate with the aim of preserving its real value as expressed in purchasing power.

In 2021, Belgium's minimum wage rate remained mostly unchanged, decreasing the real minimum wage as inflation began to take an effect as of January 2021. Since the nominal minimum wage rate is tied to adjustment mechanisms, the growing inflation led to first two 2% increases in the statutory rate—in September 2021 and January 2022—classifying Belgium as a Western European country where statutory minimum wage progresses at a greater rate.

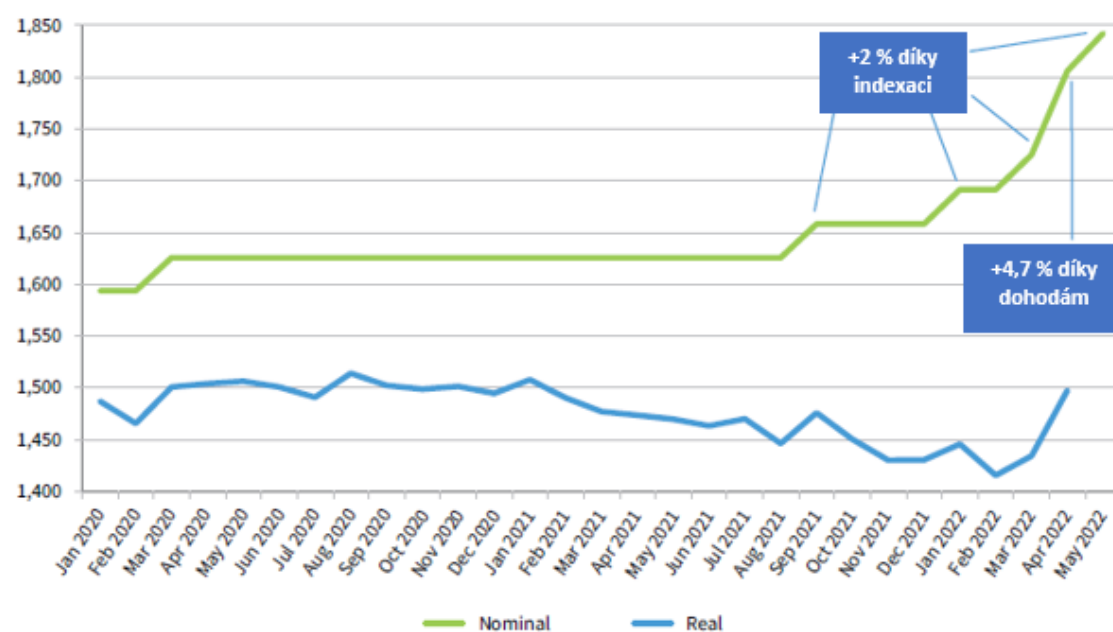
However, due to the accelerating inflation, not even these two increases, based on an index mechanism, managed to stop the 2022 drop in real minimum wage. Therefore,

the nominal statutory rate was increased again. As per indexation, minimum wage was increased by further 2% in March and May 2022.

Apart from this, the statutory rate was raised by almost 5% in April 2022 as a result of two further increases, thanks to special agreements. Belgium's National Labour Council agreed to increase the statutory rate by 0.4% in July 2021, based on calculations by the Central Economic Council regarding a so-called "wage standard". A much more robust minimum wage increase (over 76 euros a month) was a result of a more extensive effort to raise the statutory rate every two years, as agreed by social partners under a 2021–2022 interbranch agreement. This was the first increase; another two, by 35 euros, are expected in April 2024 and April 2026 (Eurofound, 2022).

Thanks to these efforts, Belgium managed (at least during the period under review) to maintain the real value of its minimum wage, as shown by the following image.

**Image 8: Minimum wage, expressed in nominal and real values (€), Belgium, January 2020–May 2022**



Source: Eurofound, 2022

## The role of inflation in setting the minimum wage

Since the second half of 2021, as inflation grew in Europe, the issue founds its way into discussions on minimum wage amounts. The impact of inflation on the development on statutory minimum wages and the negotiations of social partners regarding minimum wage came in full force in 2022 and persists to this day. Concerns about inflation, however, only started being reflected in the processes of setting the minimum wage during 2021.

According to 2019 Eurofound findings,<sup>46</sup> legal regulations on minimum wage in approximately one half of the Member States with a statutory minimum wage explicitly named inflation (or changes in prices or living expenses) as a factor that needed to be taken into account when updating the rate. The link is more indirect in other countries; in the Netherlands, for example, the link between the minimum wage and collectively negotiated wages can lead to minimum wage increases with the aim of offsetting inflation, provided that inflation is addressed speedily as a part of collective bargaining.

Apart from this, some governments saw higher inflation as a reason to increase statutory minimum wages although these increases were not able to offset the extent of inflation EU countries were experiencing (especially since new statutory rates for 2022 were being decided in 2021 when the inflation spiral just began and the war in Ukraine, or rather its effect on inflation, was not expected to occur).

The information on the processes of setting 2022 wages in 2021 shows that when pushing for a higher increase in nominal rates, unions explicitly mentioned inflation—for example in Austria where collective bargaining on minimum wage has traditionally taken into account inflation and productivity development.

Countries which rely on rules or fixed patterns to determine new minimum wage rates and where calculations account for inflation, responded to the inflation growth the fastest. Moreover, the indexation mechanism ensures much greater increases in the statutory minimum wage rates if inflation persists. In France, for instance, minimum wage was first

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<sup>46</sup> EUROFOUND. Minimum wages in 2019: Annual review. Eurofound. Publications Office of the European Union, Luxembourg [online]. July 4, 2019 [quoted on 2023-05-17]. Available on: <https://www.eurofound.europa.eu/publications/report/2019/minimum-wages-in-2019-annual-review>

increased due to growing inflation as early as in October 2021. Belgium and France, for example, use these adjustment models and by January 2022 raised their statutory rates much more than in 2021. France's minimum wage rose further as of August 2022 and then January 2023 (from 1679 euros a month/11.06 euros an hour to the current 1709 euros a month/11.27 euros an hour). Compared to the August 2022 rate, the current value is higher by 1.81%<sup>47</sup>. In 2022, inflation in France reached 5.9% and in Belgium 10.3%, i.e. much higher values than Czechia's (14.8%)<sup>48</sup>.

### 3.6. Minimum wage topics for social dialogue

In regards to minimum wage, European countries are engaged in political debate on several groups of topics. Besides topics which are highly specific to particular countries, these include<sup>49</sup>:

- policies influencing the net wages of minimum-wage workers;
- cases where minimum wage is used as a reference value to determine the amount of other benefits or subsidies;
- government compensation for employers to offset minimum wage raise;
- the position of workers and their right (or lack thereof) to a minimum wage;
- the relationship between statutory minimum wage and wages determined by collective agreements;
- regional minimum wages.

In Czechia, as a part of debates on **workers' net wages**, the argument was made for 2022 minimum wage growth to be lower than what was originally planned. The lower

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<sup>47</sup> WELCOME TO FRANCE. Increase of the minimum wage in France. Welcome to France: Helping You to Settle In [online]. May 1, 2023 [quoted on 2023-05-17]. Available on: <https://www.welcometofrance.com/en/increase-of-the-minimum-wage-in-france>

<sup>48</sup> EUROSTAT. HICP - inflation rate. Eurostat [online]. [quoted on 2023-05-17]. Available on: <https://ec.europa.eu/eurostat/databrowser/view/tec00118/default/table?lang=en>

<sup>49</sup> EUROFOUND. Minimum wages in 2022: Annual review. Eurofound. Publications Office of the European Union, Luxembourg [online]. June 15, 2022 [quoted on 2023-05-17]. Available on: <https://www.eurofound.europa.eu/publications/report/2022/minimum-wages-in-2022-annual-review>

adjustment was rationalised by the abolition of the super gross wage which increased workers' net wages. An interesting example of discussions on this group of topics is offered by the income amount in the so-called mini-jobs in Germany.

#### BOX 3: Mini-job incomes in Germany

In 2022, Germany held a debate on the way increasing minimum wage influences working hours in the so-called mini-jobs. Mini-jobs are defined as jobs paying 450 euros a month at most and generally exempt from the obligation to pay into the social security and insurance systems. Many or most mini-jobs pay the minimum wage.

If the absolute maximum monthly limit remains unchanged (and the minimum wage increases), legal working hours are reduced depending on how much the minimum wage hourly rate grows. The new government's coalition agreement declared that the maximum monthly wage for a mini-job would be raised to 520 euros. It is the first adjustment since January 1, 2013 when the wage was increased from 400 to 450 euros. There is no political agreement on the way the mini-jobs institute is set in Germany. On one hand, there are efforts to limit mini-jobs or rather abolish them entirely by bringing them fully under the social security umbrella; on the other, there is a pressure to expand this model by significantly raising the mini-job income threshold (Eurofound, 2022).

The statutory minimum wage amount can be used as a **reference point to determine the amount of other benefits**, subsidies, or employee expenses, and an annual minimum wage raise can result in increased expenses on the part of those not receiving minimum wage. In 2021, this issue was discussed in Estonia and Lithuania. In the case of Lithuania, the situation is as follows: obligatory health insurance payments of the self-employed currently amount to 6.98% of the minimum wage. In 2021, they were 44.81 euros a month. In 2022, they were raised to 50.95 euros, thus potentially increasing the self-employed's tax burden. Apart from this, the bottom threshold for public social security payments is also tied to the minimum wage, meaning that businesses employing part-

time workers who earn less than the full minimum wage must make the same amount of social security payments as they do for full minimum-wage workers (Eurofound, 2022).

**Government compensation for employers** to offset minimum wage raises were introduced e.g. in Portugal and Hungary. Such a measure was also discussed in Slovenia and Malta.

#### BOX 4: Compensation for employers to offset minimum wage raises in Portugal

The Portuguese government supplemented the January 1, 2022 minimum wage raise with a relief measure for employers. The decree sets a 705-euro minimum wage (14 times a year), as well as a lump-sum financial subsidy for businesses in the amount of 112 euros per minimum-wage worker. This support is meant to alleviate employers' social security expenses. Businesses are also entitled to a compensation in the amount of 50% of the financial contribution for every worker who earns slightly below minimum wage in December 2021 and less than the minimum wage in 2022. However, if this wage level is based on a collective agreement signed, revised, or amended in 2021, the compensation to businesses per worker will be 100% of the financial contribution, i.e. 112 euros per worker, a bonus meant to reward companies whose collective agreements set wages above 665 euros in 2021 (Eurofound, 2022).

The position of workers in Europe and their entitlement to a minimum wage is discussed primarily in relation to the position of gig economy workers, specifically those who work via digital labour platforms. Whether a worker is classified as a wage-earner or self-employed can affect his labour rights, including the right to a minimum wage. National debates were often held on and started by the EU platform workers initiative.

For example, the Danish government set up an expert commission to determine how to approach the issue of the position of workers who rely on digital labour platforms. Denmark considers adopting measures aiming towards a standard starting point, that is that these workers are wage-earners.

As a part of a broader 10-year proposal, the Danish government strives to target more group of workers than it does now. The proposal led to the establishing of a commission advising the government on issues concerning new forms of employment which challenge the Danish labour market model, such as work done via digital platforms. Additionally, the government introduced a plan to enact a “rule of presumption”, meaning that a worker is presumed to be a wage-earner unless proven to be self-employed. The government intends to draw up a legal proposal to enact this rule (Eurofound, 2022).

**BOX 5: Example of a collective agreement on a minimum wage for platform workers—Sweden**

In February 2021, Foodora and the Swedish Transport Workers' Union signed an agreement concerning approximately 2000 couriers. It includes the following minimum hourly wages: 70 Swedish crowns (7 euros) an hour from Monday to Friday, plus 20 Swedish crowns (2 euros) for deliveries; 90 Swedish crowns (8.5 euros) an hour on Saturday and Sunday, plus 20 Swedish crowns (2 euros) for distribution. The agreement also sets wage raises as per other collective agreements, subsidies for wheel repairs and supply of working tools, as well as pension insurance and measures on continuous work in a working environment. Thanks to this agreement, Foodora became the first online goods distribution platform in Sweden that signed a collective agreement. Subsequent amendments, however, show that the agreement by no means applies to all Foodora couriers, many of whom are hired by Foodora's subsidiaries which did not sign the agreement (Eurofound, 2022).

In some countries, the link between the statutory and collective minimum wage is addressed if collective agreements are not updated (either for a long time or not quickly enough), meaning one or certain lower tax rates negotiated in the agreement may drop below the statutory minimum wage and their implementation would therefore be illegal.

#### BOX 6: Problematic aspects of the relationship between France's statutory and collectively agreed minimum wage

In France, the issue is monitored regularly by the Ministry of Labour. In 2021, the French Ministry of Labour identified approximately 40 largest businesses of 5000 and more employees receiving less than the statutory minimum wage. Therefore, it asked social partners to enter into wage negotiations. Of the total 171 industries the ministry monitors precisely because they rarely negotiate, in 108 (employing 6.6 million employees in total) there was at least one wage coefficient that did not meet the extra 35-euro increase enacted as of October 1, 2021.

In 2021, two raises of the French minimum wage led to, among other things, salary categories “compressing”. In other words, low salary category-workers could keep receiving a minimum-level wage even though they rose through the salary table thanks to their years worked. The situation is spontaneous as employers may have a vested financial interest in their employees earning the minimum wage. Consequently, the employers may benefit from paying less into the social security system, i.e. only contributing regarding work injuries and occupational diseases (Eurofound, 2022).

The issue of **regional minimum wages** is discussed in certain large EU countries, e.g. in Poland or Spain. In both cases, the representatives of employers' umbrella organisations were the ones to introduce the idea of regionalising minimum wages.

#### BOX 7: Proposals to regionalise the minimum wage in Spain and Poland

CEOE, the largest employer organisation in Spain, has repeatedly proposed to set the minimum wage by regions, reasoning that the purchasing power of 950 euros is not the same in all Spanish regions. Not even the average wage to which the minimum wage should be tied as recommended by the European Commission and OECD is not the same in all regions. The government and unions objected to the CEOE proposal, claiming it would hamper the ability of the minimum wage to reduce wage inequality.



Furthermore, the unions reasoned that collective bargaining already was creating opportunities to adapt wages to the situation in different industries, regions, and businesses.

The Business Centre Club, a Polish employer organisation, also proposed to introduce regional minimum wages. The proposal would define districts as regions and set the minimum wage according to the minimum wage paid in a particular region. The proposal earned support from the small- and medium-sized businesses ombudsman who debated the notion in June 2021. The representative of the NSZZ Solidarność trade union was very critical of the idea to regionalise the minimum wage (Eurofound, 2022).

### 3.7. EU minimum wage regulation

The long period when union rules supporting adequate statutory minimum wages in Europe were being drawn up officially came to an end on October 4, 2022 when the European Council adopted a directive on adequate minimum wages in the European Union (Directive No 2022/2041 of October 19, 2022)<sup>50</sup>. The Member States have two years to incorporate the directive into their legal codes.

The directive does not prescribe specific minimum wage amounts for the Member States to set. It does detail 3 basic groups of procedures aiming to ensure adequate statutory minimum wage levels, promote collective bargaining on setting wages, and improve entitled workers' effective access to protection via a minimum wage, based on national law.

- **Adequacy of statutory minimum wages**

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<sup>50</sup> EUR-LEX. Směrnice Evropského parlamentu a Rady (EU) 2022/2041 ze dne 19. října 2022 o přiměřených minimálních mzdách v Evropské unii. Úřední věstník Evropské unie [online]. October 25, 2022 [quoted on 2023-05-17]. Available on: <https://eur-lex.europa.eu/legal-content/CS/TXT/PDF/?uri=CELEX:32022L2041&from=cs>

The Member States with a stipulated minimum wage are required to introduce a procedural framework in order to set and update the minimum wage, based on a set of clear standards. The standards are supposed to be determined in such a manner as to promote the adequacy of statutory minimum wages, with the aim of achieving decent living conditions, reduce working poverty, promote social cohesion and increasing social convergence, and reduce the gap in the remuneration of men and women. The criteria must be clearly defined and take into account at least these following elements:

- the purchasing power of statutory minimum wages, in view of living expenses;
- the general wage amount and its distribution;
- the rate of wage growth;
- the long-term national productivity rate and its development.

Apart from this, the Member States can use an automatic mechanism for adjusting their statutory minimum wage but its application must not reduce the statutory minimum wage as a result. After evaluating the adequacy of their statutory minimum wages, the Member States will use approximate reference values. For instance, they can use such values as 60% of the median gross wage and 50% of the average gross wage but can also choose approximate reference values, used on the national level.

Every Member State will appoint or establish one or more consulting bodies which will advise relevant authorities on the statutory minimum wage and facilitate actionable operation.

Statutory minimum wages will be updated at least every two years (or at least every four years in countries using an automatic indexation mechanism). In this regard, let us not forget that the August 2013 adjustment of the Czech minimum wage amount was the first one to have occurred after 6 and a half years—the most recent adjustment had been done in January 2007<sup>51</sup>.

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<sup>51</sup> MPSV. Přehled o vývoji částek minimální mzdy: Vývoj minimální mzdy od jejího zavedení v roce 1991. [online]. [quoted on 2023-05-17]. Available on: <https://www.mpsv.cz/prehled-o-vyvoji-castek-minimalni-mzdy>

- **Promoting collective bargaining on setting wages**

Among other goals, the Directive aims to increase collective agreement coverage and facilitate the exercise of the right to collective bargaining on setting wages. As per the Directive, the Member States are expected to:

- promote the development of social partners' ability to participate in the collective bargaining on setting wages, especially on the sectoral or interbranch level;
- promote social partner negotiations on wages, on equal terms and with access to relevant information provided to both sides;
- if necessary, adopt measures to protect the exercise of the right to collective bargaining on wage setting and to protect workers and union representatives against discriminatory employment actions motivated by their participation in collective bargaining on wages or their interest in participating in such bargaining;
- in suitable cases, adopt measures to protect union and employee organisations participating or wishing to participate in collective bargaining against any interference from the other party or its representatives in their formation, operation, or administration.

The Directive pays a lot of attention to the need to increase the number of workers covered by collective bargaining on the setting of wages.

Every Member State where collective agreement coverage is not at least 80% will have to define a framework to create conditions for collective bargaining, either by means of a law after consulting social partners, or an agreement with them.

Additionally, the particular Member State will draw up an action plan to promote collective bargaining. Regarding these action plans, the Directive states:

- An action plan is drawn up after the government consults social partners or comes to an agreement with them or on the basis of their joint request, in the form they agree on;

- The action plan contains a clear schedule and specific measures to gradually increase the rate of collective agreement coverage while fully respecting the independence of social partners;
- The particular Member State regularly examines its action plan and updates it if necessary. The plan is updated after the Member State consults social partners or comes to an agreement with them or on the basis of a joint request of social partners, in the form they agree on;
- The action plan is examined at least every five years;
- The action plan and all its updates will be published and reported to the European Commission<sup>52</sup>.

- **Including social partners in the process of setting and updating statutory minimum wages**

The Directive requires EU countries to adopt measures to timely and effectively involve social partners in the process of setting and updating a statutory minimum wage and have them participate in consulting bodies whose forming/assigning the Directive also initiates for the purposes of providing the country's relevant bodies with consulting on statutory minimum wage. As per the Directive, the following are the specific areas of social partner involvement:

- Choosing and applying standards to determine a statutory minimum wage level and create models for its automatic adjustment or for the amending of these models if they are already in place;
- Choosing and applying approximate reference values to assess the adequacy of statutory minimum wages;
- Updating statutory minimum wages;
- Determining statutory minimum wage deviations and relevant deductions;

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<sup>52</sup> EUR-LEX. Směrnice Evropského parlamentu a Rady (EU) 2022/2041 ze dne 19. října 2022 o přiměřených minimálních mzdách v Evropské unii. Úřední věstník Evropské unie [online]. October 25, 2022 [quoted on 2023-05-17]. Available on: <https://eur-lex.europa.eu/legal-content/CS/TXT/PDF/?uri=CELEX:32022L2041&from=cs>

- Making decisions on data collection and the execution of studies and analyses to inform bodies and other parties engaged in the setting of statutory minimum wages (EUR-LEX, 2022).

- **Effective protection process via a minimum wage**

The Directive prescribes that the Member States are to adopt measures to improve workers' effective access to protection via a statutory minimum wage. This measure includes inspections performed by labour inspection offices, as well as easily accessible information on minimum wage protection or the development of the enforcing authorities' ability to act decisively against employers who are in breach of regulations<sup>53</sup>.

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<sup>53</sup> RADA EVROPSKÉ UNIE. Rada přijala směrnici EU o přiměřených minimálních mzdách. Evropská Rada, Rada Evropské Unie [online]. October 4, 2022 [quoted on 2023-05-17]. Available on: <https://www.consilium.europa.eu/cs/press/press-releases/2022/10/04/council-adopts-eu-law-on-adequate-minimum-wages/>

## 4. Role of unions in sustainable development agenda

This chapter details the role of unions in the sustainable development agenda, especially the challenges unions face in respect to sustainability. It gives an example of unions setting priorities and goals in regards to relevant sustainability goals (SDG). Moreover, it describes the role of employees in the non-financial reporting process as described by the new EU directive and relevant standards.

### 4.1. Starting points

Current times are characterised by an increasing pressure to move away from resource-intensive production and services which produce large amounts of greenhouse gases, to an effective, low-carbon, circular, socially balanced economy. Restructuring on such a scale, however, requires that mechanisms for reconciling various interests are changed and that main actors find new strategic methods. Key actors play a vital role in the process of switching to a new model; ironically, relatively little attention is paid to the issue. It is still somewhat rare to analyse the main players, especially when it comes to examining their interests and notions. If fundamental questions are raised at all, they tend to focus on two things:

- How can the sustainability issue be incorporated into the established forms of social dialogue, and how must unions adapt their agenda in view of this?
- Are social actors, including unions, even able to give the necessary incentive to change the paradigm when overcoming the unsustainable economic model?<sup>54</sup>

Among other things, unions are concerned mainly with the impact of green transformation on the quantitative and qualitative aspects of employment. Tension and conflicts can be caused by e.g. the fact that new job opportunities not always conform to all ideas of sustainability, e.g. are not at the same time environmentally sustainable (green) and

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<sup>54</sup> GALGOCZI, Béla. The changing role of trade unions in the sustainable development agenda. *International Review of Sociology* 24 (1) [online]. March 2014 [quoted on 2023-05-17]. Available on: [https://www.researchgate.net/publication/263203761\\_The\\_changing\\_role\\_of\\_trade\\_unions\\_in\\_the\\_sustainable\\_development\\_agenda](https://www.researchgate.net/publication/263203761_The_changing_role_of_trade_unions_in_the_sustainable_development_agenda)

quality (decent, for instance in terms of wages or social conditions). Demands for an immediate optimisation of solutions may clash with economic reality, affected by a number of factors (e.g. geographic regions, general employment situation, economic structure, etc.). Job opportunities which are currently available may seem attractive in the short term, even if conditions are not optimum—in respect to environmental impact or job quality or both. Thus, compromises are made between short-term profit and long-term consequences.

In regards to green jobs, green transformation could have the following consequences for employment (Galgoczi, 2014):

- New jobs will be created;
- Existing jobs will be transformed ("made green");
- Jobs will be destroyed.

These processes have wildly different dynamics, depending on regions, sectors, and individual sections of the labour market.

## **4.2. Sustainable development, and challenges faced by unions**

Switching to a low-carbon economy that uses resources effectively is a very broad process which includes a full-fledged restructuring of the entire economy. Unions play a key role in managing a successful green transformation but also deal with huge clashes between short- and long-term opportunities.

In terms of capital, both labour and the environment are factors in production. Historically, unions have been fighting for decent remuneration of labour but the environment has enjoyed no such representation. This can hardly be laid at the feet of unions but the fact is that the internalisation of external costs related to the use of environmental resources for economic purposes needs to change drastically. This expands the scope of the traditional clash/dialogue between capital and labour. As long-term opponents of capital, unions have a special position in the new process of addressing issues of the externality of environmental resources. The issue's complexity is characterised by opposing

interests, clashes between general and local priorities, and also frequent discrepancies between short- and long-term interests. In situations where a short-term economic profit for a small target group is put against a long-term loss suffered by the whole, there is no political-institutional solution which could represent the latter, not even if the volume of future losses greatly exceeds the short-term profit.

Original arguments that unions could become inevitably trapped in the unsustainable production model are losing validity. Unions are becoming more and more aware of the need for a new strategic approach. Social dialogue in Europe is starting to increasingly focus on the issue of green transformation and on the fact that unions are including the topic of “fair transition” into their agenda (Galgozci, 2014).

### **The concept of sustainability and sustainable development in union activities**

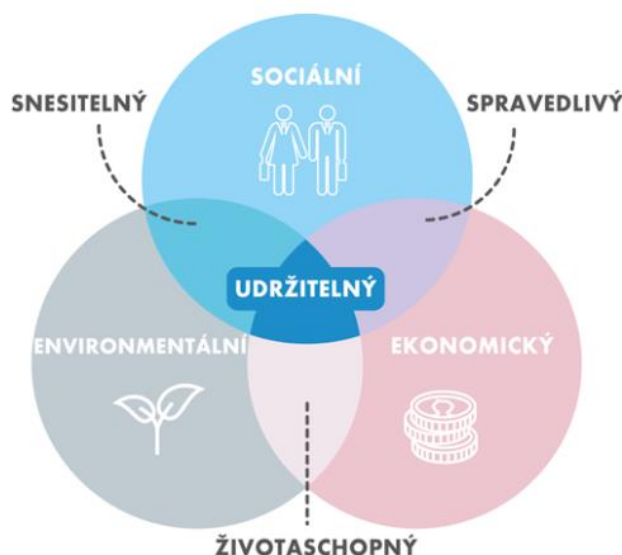
“Sustainability” can be understood as a social goal but there is no uniform, generally accepted definition. Different sources characterise it differently, emphasising different aspects or time dimensions. There is, however, an agreement regarding the three fundamental sustainability pillars—environmental, social, and economic. Generally speaking, sustainability can be defined in the context of human civilisation as a practical ability to meet current basic needs without compromising the ability of future generations to meet theirs and maintain their own living standards. A sustainable society must be built in such a manner as to make sure its lifestyle and entrepreneurship do not conflict with the nature’s ability to support life<sup>55</sup>.

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<sup>55</sup> JAMES, Paul; MAGEE, Liam; SCERRI, Andy; STEGER, Manfred B. *Urban Sustainability in Theory and Practice*. London: Routledge, [online]. 2015. [quoted on 2023-05-16]. Available on: [https://www.academia.edu/9294719/Urban\\_Sustainability\\_in\\_Theory\\_and\\_Practice\\_Circles\\_of\\_Sustainability](https://www.academia.edu/9294719/Urban_Sustainability_in_Theory_and_Practice_Circles_of_Sustainability)



**Image 9: The three sustainability pillars<sup>56</sup>**



Source: UN (author: ČSÚ)

As of now, the UN's Sustainable Development Agenda, adopted in 2015 based on *Transforming our World: the 2030 Agenda for Sustainable Development*, is the most important global policy for meeting sustainability goals<sup>57</sup>. The Sustainable Development Agenda (the 2030 Agenda for short) includes 17 sustainable development goals, with 169 subgoals defined.

### **Sustainable Development Goals overview (SDG):**

- Goal 1. End poverty in all its forms everywhere;
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
- Goal 3. Ensure healthy lives and promote well-being for all at all ages;

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<sup>56</sup> ČSÚ. Role ČSÚ v problematice udržitelného rozvoje. Statistika a my [online]. September 18, 2018 [quoted on 2023-05-17]. Available on: <https://www.statistikaamy.cz/2018/09/18/role-csu-v-problematice-udrzitelneho-rozvoje/>

<sup>57</sup> OSN. Transforming our world: the 2030 Agenda for Sustainable Development. UN Department of Economic and Social Affairs, [online]. Sustainable Development [quoted on 2023-05-17]. Available on: <https://sdgs.un.org/2030agenda>

- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
- Goal 5. Achieve gender equality and empower all women and girls;
- Goal 6. Ensure availability and sustainable management of water and sanitation for all;
- Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all;
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
- Goal 10. Reduce inequality within and among countries;
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable;
- Goal 12. Ensure sustainable consumption and production patterns;
- Goal 13. Take urgent action to combat climate change and its impacts;
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;
- Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

## **SDG in union activities**

In 2017, the UN drew up *Sustainable Development Goals: Trade Union Reference Manual on the 2030 Agenda for Sustainable Development*<sup>58</sup>, a SDG guide. The reference guide aims to help union leaders, members, and supporters participate in national sustainable development strategies. It presents various components of the 2030 Agenda and identifies a set of priority goals and indicators trade union associations might want to consider in the context of their national situation. The guide identifies opportunities and challenges unions face when participating in the creation of national economic and social policies, drawing from experiences gained when unions participated in such processes in the past. The document can also be used by union associations as a source of information on matters related to the 2030 Agenda, as well as a source of ideas for unions to introduce when participating in the 2030 Agenda.

The document's usefulness lies in its practical form. The guide addresses each of the 17 declared goals, including the 169 subgoals, in detail.

For each goal, the manual:

- gives a brief description and context;
- lists stated subgoals;
- presents key data that can be used by unions as arguments for setting policies;
- determines the aim of union's priorities, as well as indicators for their measuring in relation to specific SDGs;
- lists tools and documents relevant for a particular goal;
- provides questions which can be used as starting points in union activities.

## **Social dialogue, union goals, and indicators regarding SDG 8**

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<sup>58</sup> ILO. Sustainable Development Goals: Trade Union Reference Manual on the 2030 Agenda for Sustainable Development [online]. Turín: International Training Centre of the ILO, 2017 [quoted on 2023-05-17]. ISBN 978-92-9049-798-1. Available on: [https://www.ilo.org/wcmsp5/groups/public/@ed\\_dialogue/@actrav/documents/publication/wcms\\_553141.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_dialogue/@actrav/documents/publication/wcms_553141.pdf)

The guide mentions social dialogue next to several goals. Social dialogue is the most important part of fulfilling goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) which the guide's authors view as a central point of interest for trade unions. For that reason, we detail the goal more thoroughly here.

- **The goal's characteristics**

The goal strives to promote sustainable, inclusive economic growth tied to a full, productive employment and decent work for all. On one hand, it includes the decent work agenda of the International Labour Organisation and its four strategic goals (work, employment, social protection, and social dialogue). On the other, it establishes a link between striving for economic growth and decent work for all.

- **Social dialogue in the context of the goal**

To fulfil this goal, countries' macroeconomic policies need to be centered around decent work. Decent job creation cannot be seen as a mere by-product of growth; instead, it needs to be at the forefront when strategies for economic growth are being drawn up. In other words, decent job creation should be a central focus of not only fiscal and monetary but also macroeconomic policy. Social dialogue is a key constitutive element of decent work. Tripartism and social dialogue, along with the adoption of international labour standards, set the International Labour Organisation (ILO) apart from all other organisations in the international system. Now when social dialogue has existed for almost a hundred years, national mechanisms of tripartite social dialogue can be found in approximately 80% of all ILO member countries, with differing levels of effectiveness. Collective bargaining concerns less than 20% workers in paid employment in roughly 60% of all ILO member states. Global union federations and multinational companies signed international framework agreements regarding cross-border social dialogue but these initiatives remain fragile. New issues arise in the global economy, such as the emergence of global value chains and policies or cost-saving measures, becoming a challenge to social dialogue, especially to collective bargaining. Sectoral and national collective bargaining is apparently losing ground to business-level bargaining. Thus,

strengthening tripartite organisations, social dialogue, and collective bargaining should be an integral part of unions' efforts to fulfil Goal 8.

- **Priority goals and union indicators regarding Goal 8**

The chart below lists key goals and indicators of trade unions as proposed by the ILO manual.

**Chart 5: Priority goals and union indicators regarding SDG 8**

Goals	Indicators
Maintaining economic growth per inhabitant as per national conditions, and especially in the least developed countries reach a 7% annual GDP growth at minimum.	Annual rate of real GDP growth per inhabitant.
Improving economic productivity by diversifying, technological updates, and innovations, including focusing on labour-intensive industries with a high added value.	Annual rate of real GDP growth per employee.
Promoting development-oriented policies which support productive activities, decent job creation, entrepreneurship, creativity, and innovation, as well as the formalisation and growth of micro-businesses and small- and medium-sized businesses by providing access to financial services.	Size of informal employment in non-agricultural industries, by gender.
By 2030 achieving full, productive employment and decent work for all women and men, including the young and disabled, as well as equal pay for equal work.	Average hourly wage of employees of all genders, by occupation, age, and disability.  Unemployment rate by gender, age, and disability.
By 2020 significantly reducing the percentage of young people who are not in employment, education, or training.	Percentage of the young (aged 15–24) not in education, employment, or training.

Goals	Indicators
Adopting immediate, effective measures to eliminate forced labour, abolishing modern slavery and human trafficking, banning and eliminating the worst forms of child labour, including the recruitment and use of child soldiers, and by 2025 abolishing child labour in all its forms altogether.	Percentage and number of children, aged 5–17, engaged in child labour, by gender and age.
Protecting labour rights and promoting safe working environment for all workers, including migrants, especially migrating women, and precarious workers.	<p>Frequency of fatal and non-fatal industrial injuries, by gender and migrant status.</p> <p>Improving the national rate of abiding labour regulations (freedom of association and collective bargaining), as per ILO sources and national legal regulations, by gender and migrant status.</p>
By 2020 drawing up and enacting a global youth employment strategy and implementing ILO's Global Jobs Pact.	Total government expenditures on social protection and employment programmes relative to national budgets and the GDP.

Source: ILO, 2017

- **Starting questions to determine union activities as per Goal 8**

- What is your country's economic growth model? Is it lasting, inclusive, and sustainable?
- Does your country's economic growth structure lead to decent work for all?
- Does your government promote decent work for all, or does it implement partial employment or social protection policies without including rights and social dialogue?
- How can unions make sure that your country's macroeconomic policies strive for full employment and decent work for all?
- How can unions help make sure that freedom of association and collective bargaining is observed?

## **Justifying the participation of trade unions in national SDG fulfilment processes**

According to ILO (2017), union participation creates the following opportunities:

- Involving governments in the setting of national policies, thus influencing national socio-economic policies;
- Defending traditional union viewpoints, such as freedom of association and collective bargaining, full employment, social protection for all, decent wages, good working conditions, providing income to the poor, etc.;
- Helping make national growth strategies inclusive and sustainable;
- Combining national growth strategies with decent work and pushing for macroeconomic policies to focus on employment and to make decent work a focal point of growth strategies;
- Addressing economic, social, and environmental issues as a part of a comprehensive national development strategy;
- Institutionalising social dialogue on national social-economic policies;
- Making sure that national SDG plans duly consider the interests of all workers;
- Addressing labour inequality and working poverty via wage, tax, and social protection and other policies designed as a part of sustainable development goals;
- Combating gender discrimination and all other forms of discrimination;
- Ensuring that the subgoals of Goal 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, as well as other decent work subgoals, are included in national SDG plans (ILO, 2017).

Apart from new opportunities, ILO points to certain possible complications which can be related to the participation of trade unions in establishing national SDG fulfilment strategies. Such challenges include, for example:

- Lack of internal capacities: unions may not have sufficient capacities to effectively participate in these national processes. This lack can take the form of insufficient expert political knowledge, preventing the unions’ meaningful

participation in political debates, or of insufficient institutional capacities to monitor complicated long-term processes, or simply of insufficient financial means to execute campaigns or SDG educational programmes;

- Redirection of limited resources: participation in national development policies may require redirecting limited human and financial resources from other chief goals. Therefore, when involving themselves in these national development programmes, union leaders must realistically balance their participation, taking into account their limited resources;
- Freedom of association and collective bargaining: a lacking environment friendly to freedom of association and collective bargaining is a challenge to recognising unions' legitimate role in national social-economic politics. The government can also prevent unions from participating for political reasons. The danger lies in the fact that unions will be tempted to focus on their survival and leave policy-making to others;
- Danger of unfavourable outcomes becoming legitimised: when participating in national development programmes, there is the risk of legitimising outcomes which do not necessarily have unions' approval. Governments can use the participation process as a mere showcase to enact policies which are not in employees' interest. So, although union participation in SDG processes is essential, unions must be fully aware they might be "used" to legitimise outcomes that are unfavourable to workers and the poor (ILO, 2017).

### **Options for unions to participate in non-financial reporting**

In November 2022, the European Council gave the green light to the corporate sustainability reporting directive<sup>59</sup>. The directive is also known as the CSRD, the non-reporting directive, or ESG reporting directive. This means that corporations will have to publish detailed information on sustainability issues. In practice, businesses will have to

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<sup>59</sup> RADA EVROPSKÉ UNIE. Směrnice o podávání zpráv podniků o udržitelnosti [online]. November 16, 2022 [quoted on 2023-05-17]. Available on: <https://data.consilium.europa.eu/doc/document/PE-35-2022-INIT/cs/pdf>



make reports on the manner in which their business model affects their sustainability, and on the impact external sustainability factors (such as climate change or human rights issues) have on their operation.

ESG stands for the three sustainability pillars as understood in corporate sustainability reports—E for the environment, S for social (reporting concerns the ways in which the corporation's business model affects people, be they employees or no), and G for governance, i.e. business management.

### **The Directive's purpose and aim**

The EU non-financial reporting directive aims to improve corporate transparency and responsibility in regards to environmental, social, and human rights and in combatting corruption. It concerns businesses which meet certain criteria regarding size and public interest, and stipulates requirements for publishing not only financial, but also non-financial information on their operation.

The Directive aims to promote sustainable entrepreneurship and help investors, customers, and other stakeholders better evaluate the impact of business operations on the environment, society, and human rights. It can also help businesses improve their own sustainability performance and reduce the risk of receiving blows to their reputation, caused by unethical or harmful activities.

### **Involving employees in non-financial reporting**

The process of drawing up an ESG report, just like requirements on its content, will be standardised based on common European ESRS standards. Among other things, these standards require that other parties are duly involved in the process.

In principle, involving stakeholders in determining materiality (topics which are important for a business vis-à-vis the impact of business operations, related risks, and opportunities) means that it is important to involve various stakeholders in the process of deciding which topic matters the most to a society in terms of environmental, social, and human rights and combatting corruption.

Stakeholder involvement concerns both internal and external stakeholders. Internal stakeholders include employees, the management, and shareholders while external stakeholders can be made up of customers, suppliers, local communities, NGOs, etc.

The process of stakeholder involvement should be transparent and participatory, emphasising the need to listen actively to the needs and interests of stakeholders and to provide reassurance that their opinions and comments are taken into account when material decisions are being made. The process can entail a broad range of activities, such as public opinion polls, consulting, two- and multiple-party dialogue, and actor analyses.

The purpose of involving stakeholders is to improve companies' knowledge on important sustainability topics and ensure they consider the needs and interests of stakeholders when planning and implementing their operation.

## 5. Other current challenges for unions, and their solution

Chapter 6 details other current challenges for unions which determine the future agenda of social dialogue and collective bargaining. ILO's *Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery*<sup>60</sup> describes several areas of challenges currently faced by trade unions (e.g. specific groups, cross-sectional groups of topics, etc.) and using real-life examples illustrates ways in which unions can successfully tackle them. Thus, they can serve as an inspiration for application in the Czech environment of social dialogue or collective bargaining. Also, the chapter presents a comprehensive map of union approaches to collective bargaining, capturing all key topics including those which have been less common in the Czech environment. Finally, the chapter describes possible legislative and non-legislative solutions to certain specific issues regarding union activity, such as union plurality and new forms of unions.

### 5.1. Employee groups requiring special attention

#### Growing percentage of migrants and fixed-term workers

In high-income countries, most union members are employed on permanent contracts. At the moment, the percentage of those with a fixed-term or temporary contract is just 11% but there is an upward trend. Agency and fixed-term employment has become a fact of life for many young people. However, it is also a reason why unions in certain countries have modified their strategies (ILO, 2022).

#### BOX 8: Campaigns focused on fixed-term and agency workers

Many European unions have set up campaigns focused on temporary and precarious workers, such as guards in Hamburg, Austrian call centre workers, Dutch cleaners and

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<sup>60</sup> ILO. Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery [online]. Geneva: ILO Publishing, 2022 [quoted on 2023-05-17]. ISBN 978-92-2-036448-2. Available on: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_842807.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_842807.pdf)

meat packers, French fast food and mall workers, Polish retail workers, Swedish shop assistants, Irish hotel workers, and British meat packers.

IG Metall, the German metalworkers' union, realised that agency employment became a permanent fixture and undermines its negotiating position. Thus, it launched the Equal Work—Equal Pay campaign, over the course of which many agency workers unionised. This change in approach, among other things, helped the union raise its prestige and attract new members (ILO, 2022).

### **Migrant workers**

ILO estimates that in 2019 there were altogether 169 million migrant workers all over the world—by 19 million (i.e. almost 13%) more than in 2013. The trend goes hand in hand with increased feminisation of labour migration since more and more women migrant not to accompany family members but as workers. The global trend partially applies to Czechia in the form of Ukrainian refugees, especially women (with children), who successfully found employment in the Czech labour market. The general increase in labour migration poses a great challenge to unionising strategies, one to which unions are slowly learning to respond. For example, the American Federation of Labour and Congress of Industrial Organisations, the European Trade Union Confederation (ETUC), and various global union federations adopted a pro-immigrant stance focused on improving the rights and conditions of migrant workers. Successful enforcement of labour norms began to be seen as more effective in protecting the labour market than migration control which tends to create hard-to-monitor irregular flows. In many European countries (e.g. the Netherlands, Belgium, France, etc.), unions began advocating for the rights of migrant workers (ILO, 2022).

### **Digital platform workers**

Unions also find it difficult to organise platform workers. The size of the platform economy is hard to measure but it is growing. During the pandemic, platform work gained further significance, e.g. in food, package, and medicine delivery. It is clear that the spread of

this type of work is not a one-off but instead a great change in labour relations and a response to opportunities opened to consumers, businesses, and workers by new technology. Since platform workers typically engage in precarious work, they are difficult to organise.

Unions stand side-by-side with platform workers, trying to win important lawsuits on their behalf to have them re-classified as employees and force platform businesses to assume responsibility for the protection extended to such workers by labour law.

In July 2020, the UK's supreme court allowed an appeal by the Independent Workers Union of Great Britain to expand occupational health and safety rules so that they would cover platform workers during the COVID-19 pandemic. In February 2021, the court unanimously confirmed the verdict issued by the industrial court that drivers working for the particular company were covered by letter b) article 230, section 3 of the Employment Rights Act, and thus entitled to a number of statutory employee rights. In 2021, after EBMO and unions engaged in social dialogue, the Spanish government approved a "drivers' act" which sees platform home delivery workers as employees and grants them all the traditional rights to association, collective action, and bargaining. The new act was then passed by the Chamber of Deputies, establishing the workers' right to vacations and requiring businesses to pay into the social security system on their behalf (ILO, 2022).

#### BOX 9: Union initiatives for platform workers

IG Metall and various unions in Austria and Sweden have jointly launched the "Fair Crowd Work<sup>61</sup>" website where platform workers can rate their experience with working for platforms. The unions have partially managed to persuade different platforms to sign a crowdsourcing code of conduct. As of 2021, nine platform businesses have signed the code of conduct and the German Crowdsourcing Association has become the initiative's official supporter.

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<sup>61</sup> Fair Crowd Work: Shedding light on the real work of crowd-, platform-, and app-based work. Fair Crowd Work [online]. [quoted on 2023-05-17]. Available on: <http://faircrowd.work/>

In September 2021, in cooperation with the Friedrich Ebert Foundation's Competence Centre on the Future of Work, the European Federation of Food, Agriculture, and Tourism Trade Unions launched an online educational workshop for young Eastern and South-eastern European workers in food and agriculture.<sup>62</sup>

## Young workers

Over the last 30 to 40 years, high-income countries have experienced a sharp decline in young workers' union membership. In 28 high-income countries, the average rate of union membership among people aged 16–25 dropped by half in a single generation—from 21% in 1995 to 11% in 2015—and the percentage is less than 7% in half of these countries. Consequently, the average age of union members rose to more than 45 years and on average one fifth of all union members are approaching retirement age—their number is three or four times that of members who joined a union in the last five to ten years. Demographic trends, such as low birth rate and increasingly smaller cohorts of those entering the labour market, are a further strain on unions in high-income countries (ILO, 2022).

### BOX 10: Youth union organising

Youth organising is key for any union renewal strategy. A recent campaign of the European Trade Confederation (ETUC), launched, in cooperation with the Friedrich Ebert Foundation, had the following message: "*Unions are facing an existential crisis: either we recruit large numbers of new, young members, or within a couple of decades we cease to exist as a trade union*". Associated organisations recommend that youth campaigns be launched, data on the situation of young people collected, potential members as well as their workplaces and places of residence ascertained, and peer

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<sup>62</sup> KLINKENBERG, Priya. Empowering Young Workers in CEE and SEE Countries through Digital Organising. European Federation of Food, Agriculture and Tourism Trade Unions [online]. July 7, 2021 [quoted on 2023-05-17]. Available on: <https://effat.org/eventbrite-event/empowering-young-workers-in-cee-see-countries-through-digital-organising/>

contacts and approaches developed, using the language and communication style of the young. The ETUC youth committee also advises unions to build and develop internal youth structure, set aside resources, facilitate youth participation in decision-making, and last but not least establish alliances within and outside the union movement, addressing topics which are of interest to young people. The Retail Action Project in the UK, the Fast Food Rights campaign in the UK, the Stand Up movement in New Zealand, or the Young Workers Centre in Australia are a few examples of such alliances (ILO, 2022). After the 2008 recession, many young people who were hit hard by austerity measures and record-breaking unemployment began to join protests and movements outside unions. In the UK, for instance, urban workers' centres formed the Young Workers United coalition, Italy saw the emergence of the San Precario movement, and in Spain Juventud sin Futuro deplored the precarious situation of young people<sup>63</sup>.

### **Cross-sectional groups of activities for the future of unions**

Besides union activities targeting the groups of workers detailed above, attention needs to be paid to the general context of unions' efforts to organise workers, a factor that is important for securing the future of unions and in respect to target groups neutral in nature. According to ILO (2022), these activities are:

- recruitment campaigns;
- forming coalitions with non-union organisations regarding particular topics;
- organisation renewal;
- establishing partnerships between unions and the management;
- multi-national solidarity;
- various forms of political action.

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<sup>63</sup> ANTENAS, Josep Maria. 2015. Spain: The 'Indignados' Rebellion of 2011 in Perspective. 2015. Labor History 56 (2): 136–160.

## 5.2. Comprehensive approach to collective bargaining of the future

In “*Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery*”<sup>64</sup> ILO analyses collective bargaining procedures in 21 countries and carries out a content analysis of 512 collective agreements and supplementary documentation, aiming to understand their thematic scope. The chart of topics and subtopics provided below can inspire a future comprehensive approach to collective bargaining in Czechia, comprising all current and future challenges to collective bargaining.

**Chart 6: The scope of topics in collective bargaining (meta-analysis of 512 collective agreements and related documents from 21 countries)**

Topic	Subtopic	Measure
Wages	Base wage	Hours worked (hourly, weekly, or monthly wage) or performance-based pay
		Remuneration scale
		Procedural guidelines for promotion (e.g. seniority)
		Increase in living expenses
		Wage adjustment
	Contributions and material benefits	Overtime pay (wage tariffs or compensatory leave)
		Night work bonus
		Weekend or holiday work bonus
		Hazardous work bonus
		Housing allowance

<sup>64</sup> ILO. Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery [online]. Geneva: ILO Publishing, 2022 [quoted on 2023-05-17]. ISBN 978-92-2-036448-2. Available on: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_842807.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_842807.pdf)



Topic	Subtopic	Measure
		Transport or travelling allowance
		Food allowance
		Child benefits
	Variable wage	Based on performance (commission or item rate)
		Performance- or productivity-based remuneration
		Co-payments
Working hours	Working hours	Standard working hours (daily, weekly, monthly)
		Working hours organisation (shifts, schedules)
		Overtime
	Rest period	Food and rest breaks
		Weekly rest breaks
		Annual vacation
	Flexible working hours	Flexible organisation and duration (flexible working hours, time banking) and systems for averaging working hours; compressed work week, reduced working hours
		Predictable schedules (minimum guaranteed hours for part-time marginal work; minimum notice periods for on-call work)
		OHS committee
		Participating in the evaluation, prevention, and inspection of OHS risks

Topic	Subtopic	Measure
Occupational health and safety (OHS)	Involvement and promotion	Spreading information and consulting services
		OHS training
	Prevention and protection	Safe and healthy working environment
		Measures to prevent and eliminate OHS risks
		Ergonomics
		Right to refuse dangerous work
Social protection	Healthcare and sickness benefits	Healthcare (workplace services, reimbursement for services or insurance)
		Paid sick leave or sickness insurance
	Occupational injuries	Occupational injury insurance
		Invalidity and survivors benefits
	Unemployment protection	Unemployment insurance
		Bonuses to statutory unemployment benefits
	Old-age pension	Employer pension scheme
		Bonuses to statutory old-age benefits
		Probation period
		Dismissal consulting

Topic	Subtopic	Measure
Employment conditions	Conditions for full-term employment	Notice periods
		Severance pay
	Different forms of work arrangement	Turning fixed-term and temporary contracts into permanent contracts
		Restricting or qualifying the use of temporary contracts or contractors
		Equal pay for full-term and other forms of employment
Transformation of work	Technological changes	Announcing and consulting on technological changes
		Guaranteed employment with functional geographic mobility
		Training and retraining
		Decent remote work and hybrid working procedures
		Right to disconnect
		Privacy and data protection
	Environmental changes	Commitment to social dialogue
		Joint commitment to measures aiming to reduce or offset carbon footprint
		Commitments to fair transition (support in looking for work and placement; professional training and retraining)
	Training	Joint professional training committee
		Designated training time
		Training funds
		Training incentives

Topic	Subtopic	Measure
Skills development	Apprenticeship	Verification and certification of skills
		Involving apprentices in the working process
		Figuring the time spent in apprenticeship in hours worked
Gender equality	Gender violence	Measure to prevent workplace sexual harassment
		Procedures to address complaints
		Support to victims of gender-based workplace and domestic violence
	Gender, protection in maternity, parental leave, parental vacation	Measure to promote the coordination of work and care duties
		Maternity protection and leave
		Parental leave
		Promoting reproductive health and menstrual hygiene
		Hormone therapy leave
	Equal pay for equal-value work	Transparent classification of jobs and salary tables
		Re-evaluating work in women-dominated professions or industries
		Measure to address the gender pay gap (e.g. equality bonuses)
Diversity and inclusion	Equal opportunities and treatment	Ban on discrimination
		Equal opportunities and treatment in recruiting, education, and promotion
		Inclusive leave to attend cultural, religious, or spiritual events
		Uniform work contracts and migrant worker protection

Topic	Subtopic	Measure
		Support in transitioning from education to employment and retirement
		Adequate accommodation for disabled workers
Working relations	Union security	Recognition of unions
		Provisions against discrimination
		Facilitating union activity
	Proper working relations	Conciliation clauses
		Consulting and cooperation
		Procedures to resolve complaints and conflicts
		Disciplinary procedures

Source: ILO, 2022

### 5.3. Specifics of addressing the plurality of unions in Czechia

In 2021, the Randl Partners solicitor's office analysed the problematic history of addressing the plurality of trade unions in Czechia, its enshrining in Act 262/2006 Coll. (Labour Code), and the controversy the Act has been causing since 2008 at least<sup>65</sup>. Debate is being had on Section 24, Article 2, originally worded thusly: *"If multiple trade unions operate at the employer's place of business, the employer negotiates with all of them to conclude a collective agreement; the trade unions' actions and conduct have legal consequences for all employees altogether and in mutual agreement, unless agreed otherwise with the employer. If the trade unions do not agree on a joint approach as per*

<sup>65</sup> RANDL PARTNERS. Budoucnost kolektivního vyjednávání v Czechia pod vlivem nových trendů v OECD: právní analýza. SP Czechia [online]. 2021 [quoted on 2023-05-17]. Available on: [https://www.spcr.cz/images/Anal%C3%BDza\\_Budoucnost\\_kolektivn%C3%ADho\\_vyjedn%C3%A1v%C3%A1n%C3%AD.pdf](https://www.spcr.cz/images/Anal%C3%BDza_Budoucnost_kolektivn%C3%ADho_vyjedn%C3%A1v%C3%A1n%C3%AD.pdf)

*the first sentence, the employer has the right to conclude a collective agreement with the largest trade union or multiple largest trade unions.”* Thus, the Labour Code applied the majority principle—collective agreements could be concluded with those trade unions which had the most members at the employer’s place of business.

In 2008, the Constitutional Court declared the article’s second sentence unconstitutional and revoked it. This gave rise to the need for a full mutual agreement among trade unions regarding a joint approach, without determining an alternative solution in case the trade unions which operate at an employer’s place of business do not come to an agreement. Intense debate has been had since then, so far with no compromise solution in the legislative process. On one hand, arguments are made on the current legislation’s potential to block collective bargaining; the plurality principle is emphasised on the other.

The above-mentioned study analyses primarily the related conclusions of ILO’s Committee on Freedom of Association.

The authors conclude:

- International law counts on union plurality at employers’ place of business (i.e. does not ban it);
- It provides guidelines to resolve issues which may arise at employers’ place of business regarding union plurality;
- If multiple trade unions do not agree on a joint procedure, international law permits to conclude multiple collective agreements (always on behalf of the members of a particular trade union);
- It also permits to conclude a collective agreement with the most represented trade union (determined either by membership or employee choice) if there are transparent statutory conditions for this;
- These conditions must be adequate and rational; they must not be limitless or prevent union operations or increasingly restrict collective bargaining.

According to the authors, as per the Committee on Freedom of Association (ILO) and the Constitutional Court’s verdict, it is not possible to go back to the status quo before the verdict. Not even proposed partial corrections would resolve the issue, i.e. that

negotiations between “large” trade unions and employers would eliminate the principle of total trade union plurality. To have all employees vote might be a solution, used in various stages of negotiations on a collective agreement (before the commencement of collective bargaining to appoint a negotiating trade union, before the conclusion of a collective agreement, or when passing a concluded collective agreement). Further areas of interest:

- Alternative responses to a signed collective agreement being or failing to be passed;
- Rights of other trade unions to information on the course of collective bargaining;
- Rights of other trade unions to negotiate with the employer on presented and final proposals;
- Having a concluded collective agreement passed by employees and disregarded if not.

The Randl Partners<sup>66</sup> study offers alternative solutions to the plurality principle as per international standards, e.g. defining a pure majority without a necessary preference for a joint agreement and approach in regards to the employer (in place in France) or concluding multiple collective agreements with a single employer (in place in Germany).

## **5.4. Legislative and non-legislative solutions regarding new forms of unions**

*New forms of unions* is a term for such trade unions which do not operate physically at an employer’s place of business but are solely active online (Randl Partners, 2021).

When assessing the material characteristics and actual activity of such forms of unions, it is crucial to determine whether they fulfil the purpose of trade unions, i.e. to promote and defend workers’ individual and collective interests.

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<sup>66</sup> RANDL PARTNERS. Budoucnost kolektivního vyjednávání v Czechia pod vlivem nových trendů v OECD: právní analýza. SP Czechia [online]. 2021 [quoted on 2023-05-17]. Available on: [https://www.spcr.cz/images/Anal%C3%BDza\\_Budoucnost\\_kolektivn%C3%ADho\\_vyjedn%C3%A1v%C3%A1n%C3%AD.pdf](https://www.spcr.cz/images/Anal%C3%BDza_Budoucnost_kolektivn%C3%ADho_vyjedn%C3%A1v%C3%A1n%C3%AD.pdf)

In respect to the “online” form of trade unions, what is debated especially intensely is the practical execution of Article 277 of the Labour Code which obliges employers to provide conditions to allow the operation of trade unions which are active at their place of business.

There are both non-legislative and legislative ways to fulfil this obligation. Regarding the former, the Article’s wording could be kept and leave it up to courts to provide a solution. The nature of a legislative solution, in turn, would be to determine whether there is a significant mutual agreement between the employer and the “online” trade union. Such an agreement would supersede statutory minimum standards. If there is no agreement, the Act would clearly state to what unions are legally entitled (better and more accurately than the current legislation does). The scope of rights to be provided could depend on the employer’s size, on the trade union’s membership, and on its factual defence of employee rights as a part of social dialogue, see e.g. France.



## 6. Conclusions

Trade union activity faces several groups of problems which pose a challenge to future participation in social dialogue and collective bargaining. In the context of a deteriorating economy, the long-term impact of the COVID-19 pandemic, and a high inflation rate, on one hand the struggle concerns limiting the risk of a worsening lack of decent work. In the immediate future, maintaining appropriate real incomes, adequate living conditions for workers, and high employment will be a key subject for collective bargaining. On the other, unions need to secure their future by adapting to new challenges, such as new technologies, specific group engagement, or a stronger emphasis on sustainability.

In the context of high inflation, maintaining adequate incomes is a crucial future topic for collective bargaining or social dialogue. In this respect, the EU's minimum wage regulation, meant to be incorporated in the Czech law, is a significant impulse. The Directive presents social dialogue actors with several topics trade unions are well-poised to pick up, such as defining clear criteria for setting and adjusting minimum wages. Unions should also actively participate in the drawing-up of a national action plan to create conditions for collective bargaining as per the Directive's requirements, including proposing specific measures to gradually increase collective agreement coverage. Most of all, however, unions in Czechia should monitor the process of preparing the Directive's integration in the national law to make sure it is enshrined timely and duly.

As a part of collective bargaining, it will be appropriate to increase unions' capacity to engage in negotiations on wages on the sectoral or interbranch level, as expected by the new EU minimum wage directive and as recommended, by the way, by the Czech decent minimum wage initiative.

Apart from ensuring adequate incomes as a matter of priority, unions must duly respond to new technological development. The impact of such technologies as automation, robotic automation, etc. on the labour market has been described in detail but now there is also generative artificial intelligence. According to initial studies, the technology could replace approximately one quarter of existing work tasks which have been up until

recently viewed as specifically “human”, e.g. programming or writing. In the immediate future, trade unions should therefore pay more attention to the issue of generative AI’s impact, its potential to supplement or replace human work, or its impact on job quality, inequality, and skills development. Unions can play a significant role in monitoring whether AI tools are properly regulated, especially as per the requirements made by the new EU directive on artificial intelligence.

A mounting push for sustainability is a significant incentive for the future of unions in Czechia. As a matter of priority, the sustainable development agenda needs to be appropriately integrated into established forms of social dialogue. As a part of social dialogue, it is also necessary to discuss the optimum union position on sustainability which on one hand sees the need to move away from the environmentally unsustainable economic model in the long-term, and on the other does not ignore the current economic reality (e.g. unemployment rate in particular regions). Union sustainability strategies can be based on the application of ILO’s sustainable development goals, as per the organisation’s reference manual for unions. Another opportunity in the field of sustainability, trade unions can participate in the process of determining the significance of the impacts, risks, and opportunities of corporate activities; a standard activity of employers as per the implementation of the EU non-financial reporting directive. Thus, on the level of businesses, unions can influence which sustainability topics will be seen as significant, how parameters will be set and these aspects met.

The future of collective bargaining in Czechia will be further affected by how well trade unions will manage to respond to the need of organising the young and other specific groups (migrants, digital platform workers, and others). There are inspirational examples of foreign initiatives focused on specific groups which could be applied to the Czech environment.

The group of topics for collective bargaining keeps expanding as new social challenges arise. To understand the complexity of potential thematic scopes, it is a good idea to examine the ILO’s “map” of topics and subtopics for collective bargaining (10 topics, 24

subtopics, 88 measures) and suitably integrate new topics into collective bargaining in the Czech context.

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