# Development of collectively agreed working conditions 1993–2011

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This report focuses on the main issues and trends in collective agreements recorded in the Working Conditions Information System survey since 1993. It shows a decreasing emphasis on wage bargaining, especially in the context of the global economic slowdown, and a shift towards other issues such as trade union operation, the provision of information to and consultation with unions, severance pay and employee participation. There has been an increasing number of collective agreements establishing obligatory employer contributions to employees’ pension schemes, and more agreements addressing such issues as fair treatment in the workplace and parental leave.

Introduction
Since 1993, the regular annual survey Working Conditions Information System (ISPP) has been conducted by the statistical survey company TREXIMA under the auspices of the Czech Ministry of Labour and Social Affairs (MPSV). The survey focuses on wages and working conditions negotiated yearly through collective agreements in order to map the content of collective bargaining in the Czech Republic. The resulting overview serves as background information for the government, the Czech National Bank (CNB), research institutions and social partners. The ISPP is regulated by a commission composed of representatives of a number of ministries, authorities, social partners, and economic and academic institutions and is connected to the Average Earnings Information System (ISPV).

The ISPP provides an overview of company-level and higher-level collective agreements (CLCAs and HLCAs) in the following areas:

- cooperation between social partners;
- employee wages and remuneration;
- working time arrangements and work organisation;
- changes in employment;
- working conditions and benefits;
- obstacles to work such as temporary sickness, the birth of a child or bereavement;
- occupational safety and health protection in the workplace.

The data collected are summarised separately for the private and public sectors. The private sector includes those economic entities whose employees are remunerated by means of a wage, pursuant to Sec. 109 (2) of Act No. 262/2006 of the Labour Code. As far as the public sector is concerned, the employees are remunerated by means of a salary pursuant to Sec. 109 (3) of the Labour Code, as amended. One individual section of the data summary is devoted to measures regarding social policies agreed within municipal and regional administrative bodies. The results are classified by trade union and region.

Trade unions in companies and collective agreements

Distribution of trade unions
It has been possible to study the number of trade unions in companies since 2007. If trade unions are present within a company, there is usually only one such organisation (78.6% of cases in the private sector and 82.3% in the public sector in 2011). Three and more unions within one business entity are found more often in the private than in the public sector; however, even in the private sector, the proportion of companies with more than two trade unions is relatively low (Figure 1).
Collective agreement coverage

In cases where there are a number of trade unions active within a company, collective agreements are usually concluded jointly, particularly in the private sector where the share of joint collective agreements in companies with more than one trade union amounts to an average of 94%.

The ISPP records the number of collective agreements that stipulate the collection of union membership fees via deductions from wages, insurance for released union officials and/or the time during which union officers are excused from work and are provided with compensation for lost earnings. Such specific arrangements are present more often in private rather than public sector collective agreements. The collection of union membership fees via deductions from wages has been agreed in the majority of collective agreements in both sectors (89.2% in the private sector and 74.8% in the public sector in 2011). An increasing percentage of collective agreements contain detailed conditions governing the operation of trade unions. The increase has been faster in the private sector where the proportion grew by 9.5 percentage points between 2007 and 2011 (Figure 2).
Figure 2: Agreed detailed conditions for the operation of trade unions (% of collective agreements)

Source: ISPP 1993–2011

Conditions for the operation of trade unions consist particularly of the use of the employer’s premises and related equipment. Such conditions are negotiated in the majority of collective agreements, particularly in the public sector (premise, 75.2% compared to 73.9% in the private sector and equipment 64% compared to 50.3% in the private sector in 2011). In addition, an increasing number of collective agreements have been recorded in which the extent of information and/or consultation has exceeded that laid down in the Labour Code.

Collective bargaining on wages

Collective bargaining on wages and employee remuneration represents the most important element of collective agreements especially in the private sector where employers are not bound by rated wage tariffs (wage limits) and can adjust remuneration of employees according to actual economic results of the company. In the public sector, nevertheless, the wage tariffs are defined by Statutory Decree 564/2006 Coll. for the public services and administration. In other public organisations the wage tariffs can be settled by the employer, but the budget assigned for remuneration of employees is fixed in advance by the provider (for instance, the government). Hence the room for collective bargaining on wages is very limited. It has been possible to analyse the number of collective agreements regulating wage development in the private sector since 2005. Data show the considerable influence of the economic recession that resulted in a decrease in the number of collective agreements in which a specific year-on-year wage increase is stipulated. The main reason for the decrease was that, due to uncertainties brought about by the economic crisis, employers refused to sign up to binding rules on remuneration in the form of a collective agreement (CZ1203019Q) (Table 1).
Table 1: Collective agreements regulating wage development – private sector (% of agreements)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
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<td></td>
<td>65.5</td>
<td>68.6</td>
<td>66.4</td>
<td>74.0</td>
<td>56.2</td>
<td>42.4</td>
<td>56.1</td>
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Source: ISPP 1993–2011

Provision for minimum wage

The number of collective agreements containing a negotiated minimum wage decreased substantially between 1993 and 2007 (Figure 3). In 1993, 33.7% of collective agreements had a stipulated minimum monthly wage and 27.7% of agreements a negotiated minimum hourly wage; in 2007, the proportions reached their lowest levels (4.2% and 1.2% respectively). Since 2008, only a slight increase has been recorded, probably as a consequence of a tendency on the part of employers to push wages to their minimum levels during the global crisis. A similar trend was observed in relation to the economic recession that affected the Czech Republic in the late 1990s.

Figure 3: Share of collective agreements regulating the minimum wage – private sector (%)

Agreed minimum wages are accepted within the system on condition that they have been agreed at a level above the statutory minimum wage. The most significant differences between agreed and statutory minimum wages were recorded in 1997 and 1998 for the minimum monthly wage, and in the period 1995 to 1998 for the minimum hourly wage (Figure 4). In the past few years the difference between statutory and negotiated minimum wages has increased once more due to the zero-growth of the statutory minimum wage.
Provision for wage increases

Wage increases are most often agreed in the form of nominal wage increases. This form of wage increase was widely employed between 1997 and 2008, when it was applied on average in 38.5% of collective agreements in the private sector. The percentage fell after 2008 due to the global economic crisis. In an average of around 15% of collective agreements, wage development has been tied to economic indicators.

Average wage increases have been recorded since 1997. At the beginning of the observed period, nominal wage increases were agreed at a relatively high level, particularly in the public sector. However, in later years the level decreased on a continual basis (more radically in the public sector) up to 2011, and then agreed nominal wage increases approached those of agreed real wages which had stabilised at a level of around 2.5% (Figure 5).
Figure 5: Agreed level of wage increases (%)

Note: Average real wage increase in the private sector in 1997 does not include increases agreed for management levels. Thus, the rate agreed for all workers was in reality higher.

Source: ISPP 1993–2011

Provision for additional remuneration

The conditions governing levels of supplementary remuneration form an integral and important part of collective agreements. The ISPP focuses on bonuses and other additional payments that appear most frequently in collective agreements. Supplementary remuneration is agreed in the majority of collective agreements, especially for overtime work (84.5% of agreements in 2011) and night work (82.2%), and since 2007 also for working on Saturdays and Sundays (77.2%). The level of bonuses has, in general, decreased over the long term with the exception of overtime bonuses which have tended to maintain their initial level throughout the period analysed. The proportion of collective agreements with additional payments is on the decrease; the number of agreements featuring a 14th month’s salary decreased by roughly 50% between 1994 (29%), and 2011 (14.3%).

Since 2001, the ISPP has also recorded data for severance pay; the private sector has seen a considerable increase in the number of collective agreements containing conditions governing the provision of severance pay (Figure 6).
Such collective agreements usually stipulate that severance pay shall exceed the statutory minimum set out in the Labour Code. The amount of severance pay depends most often on the length of employment (32.5% in the private sector in 2011) or on the length of the period of notice (32.6%).

**Collective bargaining on working time in the private sector**

The vast majority of collective agreements in the private sector deal with the issue of working hours (95% on average since 1999). Generally agreed working hours have amounted to 38 hours a week since 2001 when an amendment to the Labour Code introduced a maximum limit of 40 hours per week for weekly working hours.

A considerable number of collective agreements (84.8% in 2011) stipulate more holiday entitlement than the statutory minimum of four weeks per year. In the majority of cases holiday entitlement has been increased to five weeks per year.

**Agreements on benefits and company social funds**

**Benefits for employees**

The issue of benefits is analysed separately in the ISPP for the private sector, municipalities and regions, and other public sector entities. Collective agreements contain a number of types of benefits provided by employers to their employees of which a contribution to the cost of meals in the company canteen is by far the most popular, with 93.5% of collective agreements in the
private sector, 89.9% in the municipalities and regions, and 82.5% in other public sector entities containing such a provision in 2011.

Since 1996, a considerable increase in the number of collective agreements stipulating a contribution by the employer to an employee supplementary pension insurance scheme has been recorded, particularly in the private sector, municipalities and regions. This trend corresponds to the adopting of measures intended to encourage employees to open supplementary pension insurance policies with a contribution from the employer (Figure 7).

**Figure 7: Collective agreements with negotiated employer contribution to supplementary pension insurance scheme (%)**

![Graph showing the percentage of collective agreements with negotiated employer contribution to supplementary pension insurance scheme from 1996 to 2011.]

Note: In the case of ‘other public sector’, data are available for the period 2001–2011 only.

Source: ISPP 1993–2011

**Social funds**

One of the most important instruments of company social policy is the creation and use of social funds. Their development has been markedly different in the private and public sectors since private companies have no statutory obligation to create such funds and, in addition, can decide independently on the use of such a fund if created. Conversely, the majority of public institutions have a statutory obligation to create a Cultural and Social Needs Fund (FKSP), and rules for their use are stipulated in a decree issued by the Czech Ministry of Finance. Hence, the number of collective agreements containing provision for the creation of a social fund in the private sector has decreased substantially since 1995 (Table 2). Over the last decade, trade unions in the private sector have been accorded in most cases the right of co-decision regarding the use of such funds where they exist. Since 2000, private sector social funds have been used increasingly in the form of personal accounts. The percentage of collective agreements containing provisions on
negotiated social funds within municipal and regional administrative bodies has remained stable at an average level of 92.4% since 1996. However, the proportion of collective agreements stipulating the right of trade union co-decision for the use of the funds has been decreasing in the same period:

Table 2: Collective agreements stipulating social fund creation (%)

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<tr>
<th></th>
<th>1995</th>
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<th>2009</th>
<th>2011</th>
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<td>Private sector</td>
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<tr>
<td>right of co-decision of the trade union (%)</td>
<td>78.3</td>
<td>64.0</td>
<td>41.7</td>
<td>24.7</td>
<td>33.4</td>
<td>34.1</td>
<td>33.9</td>
<td>30.1</td>
<td>29.8</td>
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<tr>
<td>used in the form of personal accounts (%)</td>
<td>55.5</td>
<td>48.1</td>
<td>87.2</td>
<td>69.2*</td>
<td>77.6</td>
<td>69.4</td>
<td>87.0</td>
<td>93.0</td>
<td>99.5</td>
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<td>Municipalities and regions</td>
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<tr>
<td>right of co-decision of the trade union (%)</td>
<td>n.a.</td>
<td>88.8</td>
<td>91.2</td>
<td>94.1</td>
<td>92.6</td>
<td>95.5</td>
<td>91.9</td>
<td>92.6</td>
<td>92.8</td>
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Notes: * Data for 2001 showed a higher number of collective agreements stipulating the right of co-decision of the trade union regarding the use of the social fund that would correspond to the number of collective agreements with negotiated social fund creation in the private sector. Thus, the number was used for 2000.

Source: ISPP 1993–2011

The use of social funds varies according to the actual needs of employees and employers. However, a general tendency to spend around a quarter of the fund on contributions to the cost of in-company meals is evident throughout the period studied. Public enterprises tend to spend a greater part of such funds on employee meals than does the private sector. Approximately 15% of such funds are reserved for employee recreation regardless of sector. A decline has been observed in the use of social funds to provide loans to cover housing needs since 2000. In 2011, a mere 3% of social fund reserves was assigned for this purpose. In the public sector, housing contributions have been gradually replaced by a contribution to supplementary pension schemes (making up roughly 15% in 2011).

Commentary

The analysis of ISPP data reveals that working conditions are included in greater detail in private sector collective agreements than in those in the public sector, presumably due to the larger ‘playing field’ and the related higher level of trade union activity in this sector. Towards the end of the period covered by the survey, in the context of the recent economic slowdown, collective bargaining focused less on wage development and more on other issues such as conditions governing trade union operation, the provision of information to and consultation with unions, conditions of severance pay issues and employee participation.
New trends have recently been observed concerning age-related issues. For instance, over the last few years, there has been a marked increase in the number of collective agreements stipulating an employer contribution to employee supplementary pension insurance schemes, an increasing tendency to consider the factor of age in case of dismissal, and employment programmes for older workers.

New trends are also reflected in stipulations related to fair treatment at work, returning to work after a period of parental leave and other programmes connected with employment and the implementation of European legislation into Czech labour legislation. Although such measures have, to date, been incorporated into a very small number of collective agreements, they have become markedly more popular in recent years and it can be reasonably assumed that they will become an integral part of collective bargaining in the future.

References


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Annex: Methodology

The survey is conducted on the basis of information provided by trade unions. Data are collected via four methods.

- Electronically by means of the programme ‘Record of Collective Agreements’ (Evidence kolektivních smluv, EKS) used by trade unions to enter data. Data for individual collective agreements are entered either by the subunits of the trade union, or at the trade union level. The overall statistics for the trade union are subsequently sent to TREXIMA. The EKS programme is provided to all the unions free of charge and the trade unions can also use it for their own records.
- Employers have the ‘Local Entering Programme’ (Lokální pořizovací program, LPP) at their disposal which represents a basic version of the EKS. The programme can be used only for data collection and records of collective agreements. The programme is available on the TREXIMA (ISPP) website.
- Trade unions or, eventually, employers can fill in an online questionnaire available on the same website.
- Some collective agreements are also collected directly, in printed or electronic versions sent to TREXIMA.

The main problem with the survey is the varying quality of the processing of collective agreements. This does not allow the analysis of the full range of possible topics since, in many collective agreements, certain data are missing or are recorded in a different format and/or using a different approach. Moreover, the statistics recorded have a tendency to change over the course of the period studied due to legislative changes. Consequently, certain statistics are available only for a limited period of time.

However, TREXIMA (in collaboration with participating trade unions) has contrived to gather together a gradually increasing number of collective agreements, and this has led to an overall improvement in the representativeness of the research sample at both national and regional levels. In 1993, data were collected from a total of 719 collective agreements; in 2011, the provider had 1,623 collective agreements at its disposal. The highest number of collective agreements was recorded in 2008, when 1,808 collective agreements were analysed. The most recent increase is due to the growing number of recorded collective agreements in the public sector, especially at regional and municipal levels (Figure 8).
Figure 8: Number of recorded collective agreements

Note: Sectors are not distinguished for the period 1993–1995.
Source: ISPP 1993–2011

The number of reporting trade unions has varied over the years from 22 in 1998 to 32 in 2000 with an average of 26 participating trade unions. Survey results are available on the MPSV and TREXIMA (ISPP) websites.

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