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**“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE
SOCIAL PARTNERS”**

NATIONAL FICHE

CZECH REPUBLIC

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Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:¹

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.²
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31st January-1st February 2011) and The Hague (8th February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31st March and 1st April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 22nd and 23rd November 2010 in Warsaw. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

¹ Expert team: Eckhard Voss (coordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

² The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

1 The economic and social context

Economic crisis and recovery

The Czech Republic has one of the most stable of the central and eastern European economies and has proven to be an attractive destination for investors due to its favorable location, low inflation, relatively low cost structure and well-qualified labour force. Attracting foreign investment has been a key element of the Czech “transition strategy”. The Czech economy is small, open and export-driven with exports representing more than 75% of GDP. Services are the major component of GDP (approximately 60%), however manufacturing industry still has an important share in GDP creation (approximately 37%), while agriculture is of minor importance (approximately 2%). The Czech economy grew by more than 6% annually from 2005-2007, and by 2.5% in 2008.

The 2008 crisis resulted in a contraction of the economy by 4.2% in 2009, which was caused mainly by drop in external demand as the Czech Republic’s main export markets fell into recession. The situation was worsened by the integration of the Czech economy in international supply chains and its specialization in capital goods. Investment also declined due to tighter credit conditions and shrinking foreign investment. Although the Czech economy was affected substantially by the crisis, its financial system remained relatively healthy as a result of prudent regulation, a strong domestic deposit base and low exposure to toxic assets and foreign exchange loans.

One of the industries’ most affected by the crisis worldwide was the automotive sector which accounts for around 16% of total Czech exports. The crisis highlighted the vulnerability of the Czech Republic’s narrow industry base and export-dominated economy.

The crisis also influenced the labour market. Unemployment grew from 4.4% in 2008 to around 8% today and anti-crisis measures including cuts in social security contributions and short-time working schemes were introduced to mitigate its effects. However, unemployment has continued to grow in 2010 and is predicted to decrease only in 2011. Labour market deficiencies such as geographic and professional skill mismatches combined with low regional mobility are expected to impact negatively on the speed of recovery.

The European Commission Economic Spring Forecast 2010 Report suggest that the Czech Republic will experience a gradual return to growth based on a projected recovery in external demand. Private domestic consumption and investment are predicted to decrease through 2010 as a result of low wage growth, increasing unemployment and the negative effect of higher taxes on consumption. Domestic demand is predicted to become a driver for growth again in 2011. Despite this moderate forecast, GDP is set to return to growth in 2010, which puts the Czech Republic in a favorable position in European terms.

CZECH REPUBLIC - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
GDP – annual percentage change	6.1	2.5	-4.1	2.4	2.3
Employment - annual percentage change	2.7	1.2	-1.1	-0.5	0.2
Unemployment rate (Eurostat definition)	5.3	4.4	6.7	7.3	7.0
General government balance (as percentage of GDP)	-0.7	-2.7	-5.8	-5.2	-4.6
General government gross debt (as percentage of GDP)	29.0	30.0	35.3	40.0	43.1

Source: European Commission: Autumn 2010 Economic Forecast.

In response to the crisis the Czech government, alongside most European countries introduced substantial fiscal and monetary stimulus measures and the stimulus package as a whole amounted to 2% of GDP in 2009. Most measures were temporary and involved support for businesses. The upcoming challenge for the Czech economy will be to make it more resilient to externally generated shocks.

Labour market indicators and trends

The employment rate in the Czech Republic grew by around 1% per year from 2005 and reached the level of 66.6% in 2008. This was slightly above the EU27 average. The employment rate of older workers also increased - in 2008 over 47.5% of people aged 55 and more were employed. Despite this positive result, it remains difficult for older worker to find new employment. The transition rate is low in the Czech Republic and the countries “age gap” is one of the biggest in Europe. There is also a significant difference between women and men’s employment. In 2008 the male employment rate was 75.4%, while the female rate was almost 20% lower (it reached the level of 57.6%). This difference is even more pronounced in the case of workers aged 55 and over. In 2008 the majority of Czech workers were employed in services (approx. 58%), followed by industry (38%) and agriculture (3.5%). It is worth noting that the share of foreign workers has slowly increased. In 2000 foreign workers constituted 3.3% of the labour force and by 2007 their share grew to 5.6%. The incidence of self-employment in the Czech Republic is slightly above the EU27 average (18% compared with 15.7%).

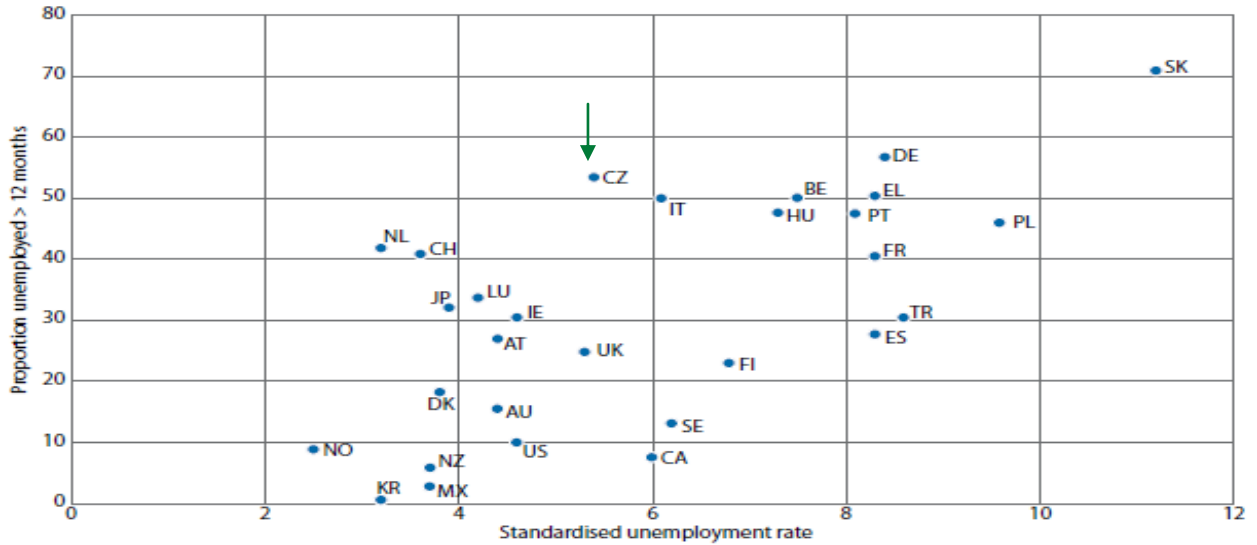
CZECH REPUBLIC - MAIN LABOUR MARKET INDICATORS 2008 IN COMPARISON TO EU27

	Czech Republic	EU27
Employment rate - % population aged 15 – 64	65.4	64.6
Employment rate older people - % population aged 55-64	46.8	46.0
Self employed - % total population	18.7	15.5
Employment in services - % total employment	59.3	70.4
Employment in industry - % total employment	37.1	24.1
Employment in agriculture - % total employment	3.5	5.6
Unemployment rate - % labour force 15+	6.7	8.9
Youth unemployment rate - % labour force 15-24	16.6	19.6
Long term unemployment rate - % labour force	2.0	3.0
Inequalities of income distribution (2008)	3.4	5.0

Source: Eurostat, *Employment in Europe Report 2010*.

Before the crisis, the unemployment rate in the Czech Republic stood at the low level of 4.4%. As a direct result of the crisis unemployment has grown to 8%. Even before the crisis there were significant regional differences in the unemployment rate, ranging from 2.5% in Prague to 10% in Ustecky Kraj (2008). There are also ethnic differences with the generally poorly educated Roma less well integrated in the labour market. The youth unemployment rate is double the general rate but is nonetheless below the EU27 average. Long term unemployed is slightly below the EU27 average (2.2% compared with 2.6%) and before the crisis long-term unemployment had been decreasing.

INCIDENCE OF LONG-TERM UNEMPLOYMENT AND THE UNEMPLOYMENT RATE, 2007



Source: *Employment in Europe Report*, p. 73, based on OECD figures.

According to the European Commission Annual Progress Assessment 2010 the main challenges the Czech government faces are continuing reforms to ensure sustainable finances and increased investment in R&D. The reforms necessary to improve labour market performance include greater efficiency and equity in the education system, the promotion of active ageing, the introduction of reforms in the pensions and healthcare systems, the modernisation of employment protection and the introduction of incentives for training of older workers and those with low-skills³.

Flexicurity in the labour market and labour market policy

Educational attainment will continue to be a determining factor in the ability of the Czech Republic to generate investment in high quality jobs. In 2008, whilst 91% of the population had completed at least upper secondary education, only 14% had tertiary education qualifications. It is often suggested that the qualifications achieved do not equip young people with skills required by the labour market.

Czech employers tend to make extensive use of overtime exceeding the EU average of 68%. Although fixed-term contracts are relatively less used (8% for the Czech Republic compared with 14% for the EU27 in 2008), when an enterprise elects to use them, it intends to do it on a regular basis. Around three quarters of enterprises that used fixed-term contracts the previous year renewed almost all of them immediately after they expired. According to SPCR the use of fixed-term contracts is increasing, but employing on the basis of such contracts cannot yet be perceived as a well-rooted employment practice.

The dominant form of employment contract is full-time work and covers 95% of those employed and 91% of working women. The incidence of part-time work is low and decreasing. Self-employment is on the rise.

Czech labour market actors tend to conduct training needs analyses systematically. Around 80% of establishments reported checking training needs and implementing appropriate training activities regularly. Employee participation in CVT is high and significantly exceeds the EU27 average (52% for the Czech Republic compared to 33% for the EU27) and Czech companies tend to invest more in CVT than the EU27 average.

³ European Commission, Annual Progress Report, December 2009, Brussels, 2009, pp.21-22.

Employment protection in the Czech Republic varies significantly based on the type of contract. While regular employees are quite well protected (3.05 compared to the EU27 average of 2.1), temporary worker protection is much lower (0.88 compared with the EU27 average of 1.8).

CZECH REPUBLIC - FLEXICURITY INDICATORS IN COMPARISON

	Czech Republic	EU27
Total population having completed at least upper secondary education (population aged 25-64, %), 2009	91.4	72.0
Part-time employment - % total employment, 2009	5.5	18.8
Fixed-term contracts - % total employees, 2009	8.5	13.5
Access to flexitime, % total employees aged 15-64, 2004	21.0	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	59.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	6.8	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	79.9	84.3
Strictness of employment protection – regular employment, 2008	3.05	2.11*
Strictness of employment protection – temporary employment, 2008	1.71	2.08*
Strictness of employment protection – collective dismissals, 2008	2.13	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	0.20	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.10	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	8.6	16.3

Source: Eurostat; Employment in Europe Report 2010; Eurofound (European Working Conditions Survey 2010); OECD.

**OECD average*

The unemployment rate and the average length of unemployment are important indicators in any analysis of labour market policy effectiveness. Whilst the general level of unemployment in the Czech Republic is low, the proportion of those unemployed for longer than 12 months is 53.4% (2008) compared with an EU average of 54% and just 10% in the United States. The problem of long-term unemployment is more pronounced in locations where the demand for low-skilled workers is weak.

Conclusion

The Czech labour market is characterised by low levels of general unemployment but with pockets of poor performance associated with geography, skills and gender. Continued attention will be required on the issues of workers’ ageing, skills shortages, low geographic mobility and integration of the Roma. If the expansion of the Czech Republic economy is not to be constrained, long term unemployment needs to be reduced and regional and social differences minimised. In common with every EU economy, this must be accomplished against the background the need for continued reforms to stabilize public finances.

2 Flexibility and security in recent labour market and social policy reforms

Introduction and overview

In the Czech Republic the notion of flexicurity has appeared only recently in discussions and it is recognised in strategic employment policy documents. The National Reform Programme of the Czech Republic 2008-2010 states that: “In the course of modernizing the labour market, social policy and employment policy, the Czech Republic acted in accordance with the principles of flexicurity”⁴. (p. It cannot yet be concluded however that there is a coherent policy to implement the concept. Economic transition and deregulation of the labour market have increased the number of employment contracts that are not of the full-time, indefinite duration nature, but their share remains below the EU27 average. Recent changes in the Labour Code (2007) and reform of social security (2008) include some provisions that are important from the perspective of flexicurity, including provisions for vocational training and reducing the tax burden on employees and employers to encourage work and job creation. An increase in the retirement age is one of the measures introduced to tackle ageing workforce and skills shortages.

The Czech social partners have differing perspectives on some elements of flexicurity. Employers tend to believe that the Czech labour market is too rigid and, as a result, the use of more flexible contract forms is growing. Trade unions believe that introducing more flexibility would further damage levels of employment security already impacted by labour reforms and the crisis. Both parties agree there are insufficient effective and well-targeted active labour markets measures in place⁵.

Lifelong learning and the mobility of workers

There have been important recent developments in lifelong learning in the Czech Republic. “National Strategy for Lifelong Learning” has been prepared and is being implemented. The new Labour Code came into effect on 1 January 2007 and obliges employers to facilitate employee vocational training, especially by offering induction training, on-the-job training, training leading to upgrading of qualifications. It also stipulates that detailed plans are to be included in collective agreements at the company level. Nonetheless, according to trade unions employers are investing less in worker training than before⁶. At the same time social partners underline importance of European funds for financing lifelong learning initiatives.

In order to make professional qualifications more transparent, the “National Catalogue of Qualifications” has been created by the Ministry of Education and a national database of occupations is being created.

Sectoral Councils have been created to monitor labour market needs and available skills and ensure better match between them. Different stakeholders, including social partners, participate in the councils.

Various fora and platforms have been established to facilitate exchanges and transfers between universities and the world of work, i.e. SPČR has created cooperation forum between businesses and universities. Czech employers believe that skills shortages are one of the main inhibitors to successful business performance in the country. A cohesive overall framework for organizing, financing and

⁴ National Reform Programme, 2008-2010, p.65.

⁵ All social partners opinions’ quoted in this text come from interviews conducted in May 2010.

evaluating training is not yet in place. There are few special incentives for employees to invest in workforce upskilling although there have been attempts to design system for the recognition and certification of skills acquired in informal and non-formal settings including the project “Developing of key competences in non-formal and informal learning”. Geographical mobility remains an issue due to shortages of affordable housing, a general unwillingness to relocate and the time and expense of daily commuting.

External/internal flexicurity and contractual arrangements

In the Czech Republic today there is a striking difference in the protection levels offered to employees on indefinite duration employment contracts and those on temporary contracts. Changes to the labour code introduced in 2003 resulted in a wider use of fixed-term contracts whilst, at the same time, introduced limits on their consecutive use (after two fixed-term employment contracts indefinite duration employment contract has to be concluded) .

Employer and trade union views on labor contractual flexibility differ widely.

According to employer organisations, whilst the use of both fixed-term and part-time contracts is increasing, there should be more part-time contract options available. Other flexible work arrangements like telework, job-sharing and individual work arrangements are emerging but are not yet well rooted practices.

Trade unions believe that there are sufficient flexible types of contractual arrangement in the Labour Code, and that employers are reluctant to use them as they prefer to use temporary arrangements involving temporary agency companies.

In its reform documents the government has committed itself to creating more part-time jobs by introducing incentives for employers to create part-time opportunities.

During the crisis many individual solutions were tested at the company level. According to employers’ representatives, solutions designed at the company level based on cooperation between employers and employees to save jobs have proven to be the most effective. They include flexible forms of work; flexible working time arrangements; working time accounts; temporary reduction of wages and salaries; reduced working time combined with training programmes; and reduction of employees’ benefits. According to the employers it was easier to implement these measures in enterprises with no trade union activity. Employers also report that the government tends not to be in favour of initiatives which require additional public spending. Additionally, they stress that the government is not supporting employers in any way to maintain employment levels during the times of economic slowdown - this is strongly criticized by employer representatives.

Employers believe that further flexibilisation of recruitment and dismissal practices and greater liberalisation of industrial relations are needed. They would welcome further revision of the Labour Code. Trade union representatives believe that the newly adopted Labour Code includes sufficient provisions for flexible contractual arrangements and would not like to see any further changes. According to them, the crisis has proven that it is already easy to dismiss workers. Anecdotally, some social partners believe that there was greater recourse to dismissal during the crisis than short-working time schemes and more pay cuts than working time reductions.

Trade unions suggest that the crisis was used to introduce more internal flexibility solutions, but these solutions were introduced on an ad hoc basis and were not designed in cooperation with workers and trade unions. According to trade unions the consequences of these initiatives for the labour market need to be carefully analysed.

The Czech trade unions tend to disapprove attempts to shorten notice period and relax rules on severance payments. They fear that further flexibilisation of contractual arrangements will result in replacing more indefinite duration employment contracts with temporary contracts and hinder the further development of more attractive forms of internal flexibility.

The social partners hold differing views on issues like the calculation of working time through working time accounts and on the regulation of temporary agency work. SPCR representatives pointed out that working time arrangements can be very tricky, but social partners' voice is not heard by the government during drafting relevant regulations.

More positively a new bilateral project was launched in June 2010 on working time, pay, health and safety, flexicurity and stress at work which aims to produce recommendation for the government in these areas.

To make the labour market more flexible and address skills shortages, the regulations on access of foreign workers to the Czech labour market are to be simplified.

Active labour market policy

The Employment Act of 1 October 2004 provides the legal basis for designing and implementing labour market policy. ALMP in the Czech Republic concentrates on combating long term unemployment and re-integrating people into the labour market.

Labour Offices are charged with the mission to assist in developing individual plans for job seekers, providing assistance and advisory services and organising training and retraining programmes. They also facilitate cross-border cooperation and develop special programmes for companies and employees to improve their adaptability (e.g. *“Education is a chance”*, *“Educate yourselves”* or RESTART). The Act of 2004 provided for closer cooperation between jobseekers and the PES in the process of job placement. On 1 January 2009 cooperation requirement was further strengthened and, since then, unemployment benefit is paid to its full amount only when the unemployed pursues training or does not refuse work offers.

During the crisis the PES work was stepped up and public works were stimulated. Enhancements in ALMP were possible due to EU funding and the Ministry of Labour and Social Affairs was supposed to make use of funds from the EGF to mitigate crisis effects.

Social partners point out that the quality of provided services and their effectiveness vary across the regions. Trade unions underline that while the PES concentrate on job search and “make work pay” policies, there are insufficient provisions for retraining of the unemployed, upgrading skills and qualifications and offering guidance and advice. Despite an increased focus on ALMP, passive measures such as distribution of benefits still prevail.

Supportive social security system

Unemployment benefit is regulated in Law No 435/2004 on Employment. Unemployment benefit is paid for a maximum of six months. The conditions for entitlement are: recipients must not be working or studying, s/he has to register with PES, the unemployed person is not eligible for older-age benefits and have worked at least 12 months in the past three years and contributed to the social security. If jobseeker fails to cooperate with the PES, s/he is suspended from the register and has to pay back all benefits unduly paid; s/he may only come back after 6 months for further services. Benefits are conditioned by the level of previous earnings and the duration of unemployment. Benefit is of a regressive nature: in the first three months 50% of reference earnings is paid, in the following three months 45% of reference earnings is paid; and during retraining 60% of reference earnings is paid. There is a “ceiling value” that cannot be exceeded.

There are specific rules governing benefits paid to the “partially unemployed”.

Prior to the crisis the government had already started to apply the “Make work pay” principle, which resulted in shortening the period of eligibility for unemployment benefit and obliged job seekers and beneficiaries of unemployment benefit to accept job offers or training. These rules have been relaxed during the crisis, particularly for low-skilled and low paid workers.

During the crisis non-wage labour costs were reduced through reductions in employers’ social security contributions. Employers’ suggest that up to 70, 000 jobs have been saved by this measure. Recent reforms have facilitated employment of older workers including rules on entitlement to pension while continuing employment, time limits and tax allowances. Further reforms of pension, social security, tax and benefit systems are expected.

Trade union representatives point out that social security provisions should correspond to specific professions and situations, i.e. early retirement shall be provided for specific groups, i.e. dancers. Employers representatives suggest that financial burden related to contributing to unemployment benefit scheme, sick leave - 3 weeks are to be paid by employers – and alike are too heavy. At the time of cluster seminar (November 2010) they feared that the situation would further worsen after January 2011 with new additional expenses.

High-quality and productive workplaces

There is no specific information on creating high-quality and productive workplaces. Within the framework of the EU 2020 Strategy one of the national targets is to increase productivity by 20% and, according to SPČR, improving the quality of both work and workplaces can contribute to achieving this goal. According to the National Reform Programme 2008-2010 more jobs in research and development need to be assured⁷. Such jobs are typical for modern, high quality workplaces. The employers’ organisation SPČR suggests that many companies believe that high quality working conditions have a positive influence on productivity and workplace quality is crucial for their CSR activities. Employer representatives also point out that flexicurity may contribute to competitiveness growth.

Representatives of trade union CMKOS suggests that only permanent jobs ensure high-quality and productive work places and indicates that the use of temporary employment contracts stimulates share of precarious work and damages productivity. They believe that appropriate macro-economic policy is necessary to drive economic growth and create the conditions for stable, high-quality and productive employment.

Gender equality

Gender equality is not at the mainstream of Czech employment policy. According to Eurostat, gender based pay differentials grew between 2002 and 2008 and remain significantly above the EU27 average of 17.6% in 2007. In the Czech Republic the differential was 22.1% in 2002, 23.4% in 2006 and 26.2% in 2008 respectively.

Since 2004, *Gender studies*, a Czech NGO that promotes equal opportunities in the labour market, has organised an annual competition “Company of the Year - Equal Opportunities”. The aim of the competition is to motivate employers to implement effective equal opportunities programmes and policies for representatives of both genders. The programme is supported by EU funding and the Czech Ministry of Labour and Social Affairs, and is organised in cooperation with the Czech social partners.

One of the goals of CMKOS is to put better gender equality into practice. CMKOS representatives observe that women work more often in precarious and insecure jobs. They believe that there is insufficient political will and State involvement in fighting discrimination and that present legal regulation is inadequate. CMKOS believe that more power should be guaranteed to the Office of the Public Defender of Rights, including imposing sanctions.

⁷ Czech Government, National Reform Programme 2008-2010, Prague, October 2008, p. 35.

In 2001 a permanent advisory structure was established named the Government Council for Equal Opportunities for Women and Men. The Council is charged with the mission to draw up proposals for the promotion and achievement of equal opportunities for women and men.

Financial sustainability

Financial stability is an issue of concern for employers and trade unions alike linked to “post-crisis” reality and public spending constraints. SPRC believe that expenditure can be reduced by making spending more effective and better targeted. CMKOS believes that there is no comprehensive notion of flexicurity in the Czech Republic based on a clear assessment of costs and benefits. They believe that the former government focused on labour market incentives and promoted higher flexibility at the expense of worker security. They believe that more investment in the social security system is necessary if balanced flexicurity is to become a reality.

More positively, the social partners both agree that EU policies and funds (especially ESF) have proved to be an important stimulus for developing vocational training and lifelong learning in the Czech Republic. Additionally, trade union representatives believe that EU funds can support flexicurity.

Conclusion: Strengths, weaknesses and challenges

Recent developments in the Czech labour market suggest that awareness of flexicurity is rising at the level of the company⁸. Moreover, the concept has also become an element of national employment strategy. The 2008 crisis was a driver of flexicurity measures at the level of individual enterprises, where they often saved jobs through introduction of flexible remuneration and working arrangements. Today, the flexicurity debate remains polarised. Trade union representatives claim there is too much flexibility and not enough protection, while employer organisations believe that employment regulation is too rigid and more flexibility is necessary to energise the labour market toward greater job creation.

A weakness is the “difference” between the Czech social partners in their understanding of “security of employment”. For employers security is linked to making labour market less rigid and “freeing” natural processes of recruitment and dismissal; trade unions perceive it as a combination of guaranteed employee rights, efficient job placement and sufficient social support.

Our analysis suggest weaker areas of flexicurity to be job creation, targeted vocational training, effective PES, the mobility of workers and the establishment of measures appropriate to small and micro enterprises.

One of the challenges will be ensuring appropriate funds for financing flexicurity. Another challenge seems to be related to often changing legal environment and excessive bureaucracy. Last but not least, it seems that legal provisions to a greater extent should take into account SMEs needs.

⁸ SPČR questionnaire.

3 The role of the social partners

General remarks on the role of social partners

Today’s most of the important employer organisations and trade unions were established after 1989 and they take part in tripartite negotiations and are consulted on laws and developments that have economic and social consequences.

The largest trade union confederation is CMKOS, followed by ASO. Both trade union confederations are members of the Council of Economic and Social Agreement (RHSD). The third largest trade union organisation in terms of members and importance is KUK. There are also two smaller trade union confederations, OS ČMS and KOK. CMKOS is a member of ETUC. Trade union density is estimated at 21% and trade union membership is gradually declining. In order to preserve power and influence the Czech trade unions have attempted to merge although to date internal reorganisations have been more frequent than mergers.

The most important employers’ organisations in the Czech Republic are SPČR and KZPS. Both confederations are represented in the RHSD. Small businesses are represented by SPČR. It is very difficult to estimate employers’ organisation density although membership levels appear to be stable. The period 2004–2007 was the one of intensive reorganisation of employers’ organisations within the framework of the existing associations⁹.

Main instruments and levels of influence

In the Czech Republic social dialogue takes place at the national level and company level. Sectoral level dialogue remains less developed. Tripartite social dialogue is extremely important and it is often suggested that bilateral dialogue is not used to its full potential. Recently there have been attempts to set up tripartite structures for “thematic” social dialogue, i.e. specific issues related to transport, education or culture sectors. The idea of setting up such structures is supported both by trade unions and employers.

RHDS is the main structure for tripartite social dialogue. It has a status of a voluntary joint negotiation body. RHDS works through thematic teams and working groups. Trade unions point out that during the crisis the dialogue within the framework of RHDS was more effective than it had been before. High Level Collective Agreements (HLCA) aim to define minimum working conditions in particular sectors, but collective agreements concluded at the company level are the most important instrument for shaping working conditions.

Besides negotiating and signing HLCA and company level agreements, the Czech social partners have undertaken joint initiatives like joint proposals for the introduction of a new concept of higher-level collective agreement extensions or a joint proposal by key national trade union and employer organisations for amendments to eliminate certain technical shortcomings in the labour code. In most cases social partners proceed separately and come up with their own proposals or recommendations. Below is the example of SPČR initiatives aimed at promoting flexicurity.

Various ways of implementing flexicurity

The Confederation of Industry of the Czech Republic (*SPČR*) - recognized social partner - promotes the concept of flexicurity by (co-)organizing conferences, roundtables, workshops etc. to support exchange of good practice among employers. It also implements the flexicurity principles in its internal HR policy, i.e. flexible working hours, job-sharing, part-time work, telework, training etc.

Source: SPČR questionnaire, May 2010.

⁹ Based on EIRO on-line, Czech Republic: Industrial relations profile, updated 26 October 2009, (http://www.eurofound.europa.eu/eiro/country/czech.republic_3.htm)

CZECH REPUBLIC - MAIN SOCIAL DIALOGUE INDICATORS

	Czech Republic	EU25
Collective bargaining coverage - % of employees covered by collective agreements, 2006	49.6	63.0
Trade union density - % of dependent employees who are trade union members, 2005	21.0	25.3
Employer organization density -% of employees employed by companies that are members of an employer organization, 2006	26.0	n.a.

Source: Eurofound EIRO Country Profiles, EU Industry EU Industrial Relations Profile 2008.

Recent changes and challenges

The social partners have been involved in the process of developing pension and social security system reforms. Current discussions relate to further amendments to the Labour Code that would support flexibility.

According to the social partners' social dialogue during the crisis has become more important at the national level with them agreeing on temporary measures that were subsequently included in the anti-crisis package adopted by the government.

The influence of social dialogue at the sectoral level has remained unchanged, while social dialogue at the company level has often resulted in the adoption of temporary measures to limit or avoid dismissals.

Social partners strongly believe that effective social dialogue is a fundamental condition for implementing flexicurity in the Czech Republic.

Both social partners stressed that social dialogue and meaningful consultation process requires time. They observed that at present “legislative urgency” shortens time for opinion exchange and discussing proposals.

Cases of good practice in the field of labour market flexibility and security

The Czech social partners indicated the following good practices relating to labour market flexibility and security: Flexible working time arrangements; introducing short-time schemes; and the advisory body for pension reform.

Example One: Flexible working arrangements

Two important companies have implemented flexible working time arrangements with success: ArcelorMittal Ostrava and Microsoft.

ArcelorMittal Ostrava, TPCA Kolín and Microsoft are among companies that offer flexible working arrangements. These are: part-time work, flexible working hours, compressed work-week, telework (e.g. flexible office), job-sharing and combinations of these arrangements. ArcelorMittal Ostrava has been awarded prize “Employer of the Region 2010”. The company offers employee centered flexibility, programmes for talent development, career guidance for employees and their children, extra- time off with pay, a wide range of tailor-made educational/training programs and mentoring. The company also monitors regularly the satisfaction and motivation of its employees and in co-operation with employees prepares action plans based on the outcomes of the surveys. The company also cooperates closely with external educational institutions.

Microsoft represents one of the country's leaders in the operation of flexible work arrangements. The company offers a variety of arrangements including the possibility to work from home one day

every two weeks. Recently the company has started to monitor the use of holiday entitlements to ensure that employees take vacation on regular basis. In 2007 the company was recognized as the best company offering equal gender opportunities in the Czech Republic.

Source: SPČR questionnaire, May 2010.

Example Two: Developing new measures – short-time schemes

CMKOS has initiated the introduction of a short-time scheme in the Czech Republic similar to “Kurzarbeit” in Germany. The first attempt to discuss this agenda with Ministry of Labour and Social Affairs (MOLSA) and to prepare the draft of law was made in May 2009. Eventually, CMKOS drafted its own principles and an economic analysis of relevant legal institutions and presented it at the Labour Law Conference in October 2009 in Třešť, where experts of MOLSA were present. In May 2010 the Minister of Labour and Social Affairs decided to delegate legal and economic experts to conduct an analysis of the proposed initiative and to develop possible solutions. This task was to be executed in cooperation with social partners by the end of June 2010.

Source: CMKOS questionnaire, May 2010.

Example Three: Advisory body for pension reform

At the beginning of 2010 the Minister of Labour and Social Affairs and the Minister of Finance set up a special advisory expert’s body on pension reform. The social partners were included in the group of experts and joined the advisory body. The goal of the advisory body is to prepare an analysis of the current pension system in the Czech Republic and to propose scenarios for pension reform. The proposals should be financially sustainable in the long-run as well as socially adequate.

Source: CMKOS questionnaire, May 2010.

4 Key points arising

Key points as arising from the point of view of the author of this report as well as from the debates at the cluster seminar in Warsaw were the following:

- Social partners have quite differing assessment on the present level of flexibility and security on the Czech labour market;
- Flexible work contracts are not a well-rooted tradition in the Czech Republic, however the share of fixed-term work is increasing; flexible employment options are still largely perceived as “the second best” and not offering good quality work;
- Current discussions concerns ethics of employing and dismissing workers and the planned changes in the labour law;
- In designing the Czech model of flexicurity different sectors’ needs shall be taken into consideration, i.e. encompassing such aspects as education or culture;
- In setting up the framework for flexicurity-related solutions the government plays important role, i.e. by deciding about the level of social security contributions or working time organisation schemes (reduced working time scheme during the crisis);
- Social partners do not feel they have an influence on the proposed solutions;
- Finding sustainable source to finance lifelong learning and continuing training is a big challenge as well as design and implement strategy of lifelong learning.

Sources and references

Replies to the questionnaire survey, interviews and cluster seminar contributions

Questionnaire replies were received from one trade union confederation (CMKOS) and one employer confederation (SPČR). In addition, the Czech Chamber of Commerce provided *Evaluation of proposed precautions of political parties. Employment and flexicurity area.*

Within the framework of the projects interviews with social partner organisations (CMKOS, SPČR, ECCR and UZS) representatives were conducted on 24-25 May 2010.

Further resources

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2. Czech Government: National Reform Programme of the Czech Republic 2008-2010, Prague, October 2008.
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