

A decorative graphic consisting of a grid of grey dots of varying sizes, with several dots highlighted in red. The dots are arranged in a pattern that roughly outlines the shape of the Czech Republic.

## Trade Unions in Transformation

»An End to Cheap Labour« – How a Public Campaign May Become the Turning Point for Czech Unions' Strength

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- In 2015, and after a change of leadership, the main Czech trade union confederation launched its campaign for »An End to Cheap Labour« with remarkable success. Pointing out that, even after 25 years of transformation into a market economy and subsequent accession to the EU, Czech wages are still trailing those of richer countries in Western Europe by one third, ČMKOS has struck a chord with much, probably almost all, of society.
- Without much of a history of strikes to draw from, ČMKOS could build on experiences of organising large-scale campaigns and of taking collective action. Skillfully building on resources available, the union has been able to break new ground, making trade union activists and leaders feeling much more confident, improving the public perception of unions and triggering some wage increases.
- Trade Unions in Transformation is an FES project that identifies unions' power resources and capabilities that contribute to successful trade union action. This study features among two dozen case studies from around the world demonstrating how unions have transformed to get stronger.



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## Abstract

The main Czech trade union confederation launched a campaign in 2015 for »An End to Cheap Labour« with initial targets of five percent pay increases wherever possible. This was initiated by a new leadership and linked with new methods of advertising union activities. There was a conscious return to traditional trade union motifs which had been shunned in the first years after the end of state socialism. These innovations have been enthusiastically received within many affiliated unions. The campaign was based on a solid analysis of economic performance which showed wages about one third of the western European level with little prospect of closing that gap in the foreseeable future. First results included a very positive reaction from within the government and implementation of increases in the statutory minimum wage and in public sector pay. Bargaining in parts of the private sector remained difficult, but determined pressure brought substantial pay rises in some cases. Union leaders felt more self-confident, convinced that they were taken more seriously by the media and that they were gaining prestige with the public. There have been some cases of increasing membership, but any overall reversal of the previous seemingly inexorable loss of members remains to be proven.

## 1. Introduction

The main Czech trade union confederation, the ČMKOS, launched its campaign for »An End to Cheap Labour« at a rally of 1500 trade unionists on 16 September 2015. The aim was to start closing the pay gap with Western Europe which, even after 25 years of transformation into a market economy and subsequent accession to the EU, left Czech wages about one third the level of richer countries of Western Europe. The campaign required raising awareness of the continued extent of the pay gap, encouraging affiliated unions and their members to press demands through collective bargaining and persuading the government to raise public sector pay and the statutory minimum wage. The methods included public rallies and demonstrations, determined efforts to get the message across to the established media, providing convincing arguments that a higher-wage economic strategy was feasible and using all available means of political influence.

There have been some notable individual successes, particularly in the political field with the Prime Minister accepting the logic of the trade union message and publicly supporting some groups of employees during conflicts. There have been some pay increases in line with the unions' demands, although proving how far union actions were the cause remains challenging. There have been some increases in union membership, although overall this probably amounts to stemming the previously seemingly ineluctable downward trend rather than clear overall growth. There has been coverage for the unions' argument in parts of the media and a generally more positive presentation of unions' role in society. Above all, there

are signs of trade union activists and leaders feeling more confident. At last, it seems, they are saying something that strikes a chord with much, even almost all, of society.

It is not clear whether the campaign for »An End to Cheap Labour« marks a complete turnaround in union fortunes, but it could mark an important first step in that direction. The following sections analyse the nature and effects of this campaign, starting with an overview of relevant aspects of the existing economic structure, followed by an assessment of the position of Czech trade unions at the time of its initiation based on the power resources approach. The results of the campaign, relating them to trade union power resources, are covered in subsequent sections.

## 2. Czechia – A Dependent Market Economy

The post-1989 economic transformations led to a Czech economy with a strong manufacturing sector. The transformation towards a »post-industrial« structure, with high-skill jobs and a large service sector, is visible too, but central Europe remains much closer to the older »Fordist« model than any other part of contemporary Europe. Thus, 87.2 percent of the Czech active population were employees while 36.8 percent worked in industry (defined to include construction) in 2014, by far the highest in any EU member state for which the average figure was 21.9 percent.<sup>1</sup> Within this, foreign-controlled firms

1. <http://ec.europa.eu/eurostat/data/database>, lfsi\_grt\_a



had become crucial, accounting for 42 percent of total value added, against the EU average of 22.6 percent. For manufacturing the figure in 2012 was 57.6 percent with the largest share of foreign investment – 25 percent of total capital invested – coming from Germany.<sup>2</sup> The most prominent single activity was motor vehicle manufacturing, accounting for 10 percent of industrial employment. All told, the economic structure could be expected to provide a solid base for trade union activity and for developing associational power. However, the economic structure alone has not automatically led to wage levels in line with the same kinds of work in other countries, as is clear from available data.

Total average labour costs, using current exchange rates, were 39.6 percent of the EU average, or 30.7 percent of the German average, in 2015.<sup>3</sup> Using purchasing power parity the figures rise to 63.0 and 50.5 percent respectively. The implication is that a German MNC can find labour that appears to be half as productive as in its home country at less than one third the price just a few kilometres away. In fact, the benefits are even greater as comparisons by PPP also overstate the gap in productivity in general and to an even greater extent in many outsourced activities. In many cases, productivity need be no lower, and with new investment very probably even higher, than in Western Europe.<sup>4</sup>

#### Similar Jobs But Much Lower Pay

In some cases, the pay gap is exploited by transferring production of labour-intensive activities, or of products that cannot command high prices. This contributes to a productivity gap. In many cases, however, production activities are demonstrably the same as in Western Europe and work of very similar characters is paid at clearly different rates. This pay gap then leads to higher profits for firms: an indicator of this is the share of wages in manufacturing value added. Table 1 shows the gap using total employment costs.

2. <http://www.statistikaamy.cz/2015/03/kdo-taha-za-nitky-ceske-ekonomiky/>.

3. Eurostat, tps00173.

4. How methods of measuring and comparing productivity between countries lead to the appearance of much greater differences, thereby justifying substantial wage differences, is discussed in Myant 2016 and 2017.

Table 1: Percentage share of personnel costs in value added, all manufacturing and motor vehicle manufacture, 2014

	EU	Germany	Czechia
<b>All manufacturing</b>	64.3	72.5	49.7
<b>Incl. agency workers</b>	64.0	68.6	41.7
<b>Motor vehicles</b>	–	76.2	51.6
<b>Incl. agency workers</b>	–	73.0	44.7

Source: Eurostat, sbs\_na\_ind\_r2.

MNCs can benefit further from prices for outsourced components lower than when produced in the firm's home country. They are made cheaper by the lower labour costs, thereby indirectly benefiting the firms or consumers in the outsourcing country. This gap might be expected to diminish over time, reflecting the reality of much closer real productivity levels. There was a clear tendency in this direction in the period 2000–2008. Thanks to exchange rate and nominal wage level movements, Czech nominal labour costs increased from 15 percent of the German level in 2000 to 32.9 percent in 2008. They then fell back to 30.7 percent in 2015.

### 3. Power Resources of Czech Trade Unions

Using the framework from Schmalz and Dörre (2014), the position of Czech labour can be broken down into four kinds of power resources; structural, associational, institutional and societal. Market pressures alone have stunted worker structural power and left a substantial pay gap with western Europe. Evidently, this could be closed if there were sufficient associational power. Institutional power gives an ability to influence politics, but has not previously been used to support pay increases on the scale currently being advocated. It has rather been a support for defence of legal and institutional frameworks that give trade unions a foothold rather than a basis for offensive action.

Societal power is limited both by identification of trade unions with the socialist past and with their limited ability to create a new identity. This has been, so far, a major cause of the weakness of other power resources.

### 3.1 Workers at the Mercy of Market Forces?

Trade union structural resources include power from integrated production or very high skill levels, such that employees in these positions may be paid well to keep them from leaving (Schmalz and Dörre, 2014). The importance of industry and integrated production networks, particularly in the automotive sector, provides a relatively favourable structural context for labour organizing. However, as discussed below, the structural potential for bargaining has not been fully tested given the weakness of associational and societal power. MNCs do pay to stabilise workforces, but they never need to pay up to anything like western wage levels. Manual and routine workers are not in a position to find better employment in other countries and are generally content with pay above the going rate for Czech workers. This, then, leads to some upward pressure on wages, easily afforded by foreign companies for reasons indicated above, but bringing only a slow tendency towards catching up with western Europe which in turn faltered after 2008.

A further factor here is the ease of importing workers. In 2015 8.5 percent of those in work were foreigners, a large increase over the previous year and the highest level ever. Languages are close enough for workers, especially from Slovakia, Poland and Ukraine, to manage comfortably in many occupations. Many are recruited by agencies and employed under worse conditions and with lower pay than their Czech colleagues. Even if EU law were applied rigorously, which should lead to equal pay for temporary agency workers, Czechia would still be a location providing much cheaper labour than could be found in Western Europe. Agency workers in 2014 accounted for 6.9 percent of all in work, spread across many kinds of activities (Kuchár and Burkovič 2015: 4).

Thus, thanks to the continuing ease of recruiting an adequate labour force for large-scale manufacturing activities, MNCs can find Czechia a very attractive location and the low-wage growth model is only very gradually modified by market forces.

### 3.2 Collective Bargaining Hardly Ever Backed By Strikes

The state socialist period bequeathed a united trade union movement with almost universal membership

among employees. However, those trade unions played very different roles from their counterparts in capitalist countries, giving some protection to individual employees while providing social and recreational activities. There was neither genuine collective bargaining nor strikes and as such the end of state socialism left a dearth of activists able to develop these activities in the future.

The end of state socialism in 1989 marked a steady decline to a membership level of probably under 10 percent of the labour force and collective bargaining coverage of probably between 35 and 40 percent of the labour force, but only some collective agreements include regular pay increases. The principal background to the decline in associational power is the public perception of trade unions, referred to below under societal power, and a low level of commitment to collective action and to solidarity across employees. Alongside decline, there was fragmentation, such that some large and powerful unions still exist alongside many very small ones. Very often, those groups of employees who prove to have collective strength – such as airline pilots – concentrate on pursuing their own particular interests and separate themselves from the mainstream of the union movement.

The employment law framework introduced after 1990 enabled collective bargaining to become accepted and entrenched across much of the economy (see Drahokoupil and Kahancová, 2017). Recognition of unions was generally never an issue in workplaces inherited from the past. It was more difficult in newly created ones in manufacturing and especially in retail. However, formal acceptance of collective bargaining gives no guarantee as to the outcome. Its effectiveness is constrained also by a limited capability, or willingness, to engage in open conflict. The law on strikes relates only to collective bargaining and is extremely restrictive, requiring prior efforts at conciliation and a two-thirds support of 50 percent of all employees affected by the dispute. As a result, since 1990, there have been hardly any strikes linked to collective bargaining – only three in the Škoda car plant, none of which complied with the requirements of the law. However, there is no restriction on political strikes or on strikes over any issue not connected to a collective agreement, cases of which are referred to below.

Collective agreements frequently include a range of further benefits beyond the legal minimum, but it is never

clear whether similar benefits would not have been offered without bargaining so as to recruit and stabilise a labour force. Comparing the results of collective bargaining with achieved pay increases points to the limited impact of the former. There has always been a significant percentage of agreements with no commitment to a pay rise, in 2010 rising to almost 60 percent of the 1,316 agreements in the enterprise sphere available for detailed evaluation.<sup>5</sup> Even where an increase was agreed, it was on average below the average nominal pay rise during that year in the period up to 2009 when nominal wages were growing most rapidly. Employers are often willing to agree a pay increase which guarantees a minimum, leaving them scope to pay more in bonuses if their economic position allows and if labour-market conditions, or the need for goodwill from employees, make it desirable.

There might therefore have been space for a more aggressive approach by union negotiators, but their relative caution is only marginally challenged from below. On occasion, new, independent unions have been formed, advocating more militant action, but their support is generally low and their longevity limited. In general, the effectiveness of unions' associational power is limited by weak traditions of militancy, fears over possible job losses and willingness to accept pay levels that may be slightly better than in the past and slightly better than for other available employment.

#### But Trade Unions Were Able to Mobilize to Defend Worker Protection and Entitlements

With the limited capability of collective action on the company level, trade unions' associational power, including rallies, demonstrations and token strike action, has been demonstrated to a great extent through political protests and public sector strikes. Public sector pay is generally not set by collective bargaining but by decisions of government and parliament and the public sector employees have a record of strike action (teachers in 1997 and 2003 and state employees in 1998), albeit without universal participation. There have also been union campaigns against aspects of government welfare policies, leading to demonstrations that even included short general strikes in 1994 and 2008. Again,

5. [http://www.kolektivnismilouvy.cz/download/2010/SPP\\_2010.pdf](http://www.kolektivnismilouvy.cz/download/2010/SPP_2010.pdf).

participation is not universal and enthusiasm has been greater in the public sector when jobs and pay are directly affected. Nevertheless, the experience is there of organising large-scale campaigns and of taking collective action.

The issue on which all unions seem able to unite, and on which they can mobilise significant interest among members, is defence of employment laws approved in 1990. These set many minimum conditions including protection against arbitrary dismissal, minimum holiday entitlements and maximum working hours. Periodic government attempts to introduce changes that are seen from the trade union side as worsening of their protections, are often blocked through institutional structures, referred to below.

Thus, ČMKOS has developed the ability to raise a voice at national level and that is combined with means to lobby and influence at the political level, both through parliament and with governments. Associational power thereby lays a basis for institutional power. However, it is power that has been used defensively, to protect employees' position as already established and to defend public services. It has not previously been used to set an agenda that political actors will follow.

### 3.3 Tripartite Structures Provide Direct Channels to Government, But Not All Parties Will Listen

In 1990 unions were the only significant mass organisations in existence and there was a general fear within the new political elite of possible labour unrest. A form of »pre-emptive corporatism« (Wiesenthal 1996) gave them strong input to employment law reforms and led to the creation of tripartite structures. Associational power was insufficient at the time to give tripartite bodies a role beyond that of a forum for consultation. Nevertheless, that status was confirmed and solidified under the Social Democrat government after 1998, such that any affiliated union can feel it has a direct, formal channel to government ministers. This is also a forum in which unions have an input into draft legislation, although neither government nor parliament are obliged to respect their point of view. This, then, is one channel for influencing politics, alongside others, including direct contacts with ministries and MPs. The tripartite structure thus provides a basis for trade unions' institutional pow-

er, but its effectiveness is conditional upon having an ally in the government.

ČMKOS has deliberately eschewed exclusive identification with any single political trend or party, but their closest political allies have been the Social Democrats. Even this is exploited by opponents, within and outside the union movement, with portrayals of ČMKOS as a mouthpiece for a political party. ČMKOS had not, prior to the campaign »An end to cheap labour«, been able to set an agenda taken up by the Social Democrats or any other political party.

### 3.4 The Stigma of a »Relic From the Past« Dies Hard

The relative timidity of Czech trade unions partly reflects an assumption that their social standing is low. Opinion polls often show unions as trusted by around 40 percent of respondents, fluctuating around that level since 1995,<sup>6</sup> although this clearly does not translate into active involvement. Their basic philosophy, as defenders of employees and of the weakest in society, should have wide acceptance. However, they suffer from an image linked to their past role as providers of personal benefits and recreational and social facilities. They are widely identified as a social club, largely for older workers. Indeed, probably about 20 percent of union members are pensioners (Myant 2010: 32). Thus, they are seen by part of the public as a communist relic, albeit as an ineffective rather than an offensive relic. Such an image is not helped by their apparent ineffectiveness, for example, in stemming job losses especially after the 2008 crisis.

However, trade unions have tried to exercise a discursive power. ČMKOS has a group of economic experts, employed since 1993, who produce publications on specific and general economic policy issues, aiming both to support trade union policies and to set an agenda for politicians to follow. Coherent though their analyses may have been, their mass appeal has remained limited. The message is heard by some on the left of the political spectrum, but ignored elsewhere.

6. <http://www.pedagogicke.info/2016/10/cvvm-duvera-k-vybranim-institucim.html>.

## 4. The Thinking Behind the New Campaign<sup>7</sup>

The 'End to Cheap Labour' campaign was initiated by the new ČMKOS leadership, following the election of Josef Středula as the organisation's chair in April 2014. The campaign followed from a new political and communication strategy introduced by the new leadership shortly after taking office. Středula's aim was to achieve a trade union revival around »something of a marketing approach«, modelled especially on a revamp of the communication style of the Austrian PRO-GE union, representing industrial and agricultural employees. With this approach, Středula and his team targeted younger people and potential new members. At the same time, they aimed to communicate directly with the existing members, who, as they believed, should appreciate a more confident and professional style, communicating pride in being trade unionists.

The new approach included being more confident and open towards the public, using more striking graphics, taking full advantage of social media (Facebook, Twitter, using hashtags also in printed publications), even reverting to trade unions' traditional red colours, introducing a new logo and a coherent graphical style across all publications, and communicating through simple catchy messages. A first example of the latter was a slogan of »trade unions always on your side«. This way of work apparently met some scepticism, if not opposition, within affiliated unions who were tied to established practices. However, examples of success gradually led to acceptance, if not embrace, of the »marketing approach« by many sceptics.

Figure 1: ČMKOS Logo, Evolution Over Time



Source: Presentation of the campaign »An end to cheap labour«, Josef Středula, Bratislava, 12 January 2017.

7. Information that follows, unless otherwise stated, is based on interviews with leading figures in ČMKOS and affiliated unions representing metal working, construction, retail, road and air transport, post and communications, and education conducted in March 2017. Further detail on union perceptions comes from ČMKOS and Trexima (2016).



The campaign for higher wages took shape as a new macro-economic strategy in April 2015. The campaign was launched at a press conference with a presentation of the macro-economic analysis and using the new communication strategy. The economic document was translated into simple messages on the wage gap with Western Europe. An infographic with calculations of how long it would take to catch up with various western European countries, assuming a continuation of the pace of convergence of the previous ten years, had a prominent role. The simple message struck a wide chord, articulating a wider frustration with a slow pace of convergence in living standards between East and West. The goal to bring 'an end to cheap labour' then became the key frame for activities of ČMKOS.

A rally organized on 16 September 2015 then linked directly the core activities of trade unions to »an end to cheap labour«. It brought together trade unions to present claims for 5 percent pay increases in collective bargaining, albeit with some flexibility where particular economic conditions might not allow for this. The goal of the rally was to present trade unions to the public, demonstrating their strength, unity, and international

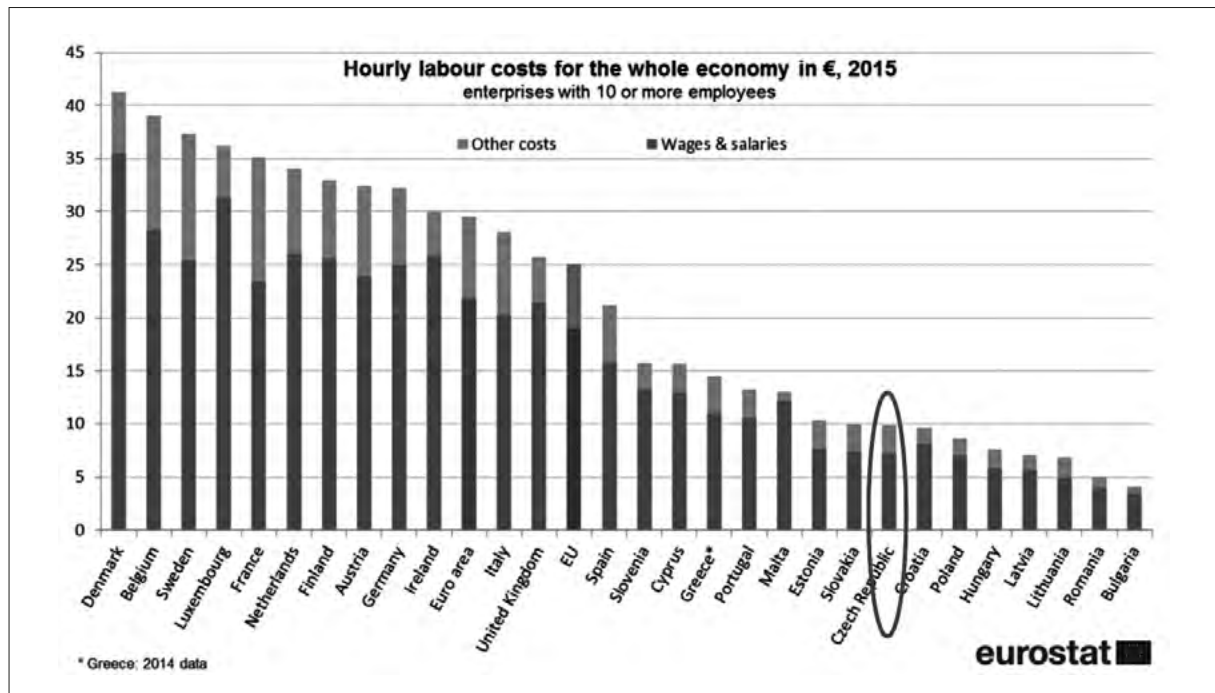
Table 2: ČMKOS infographics on the pace of economic convergence, an example, reproduced only partially

Number of years needed to catch up with a country	Assuming current exchange rate and convergence trend of the last decade
Norway	never
Denmark	207
Belgium	185
Sweden	147
France	112
The Netherlands	113
Finland	134
Austria	103
Germany	84
Czechia	0

Source: Presentation of ČMKOS macroeconomic strategy, 19 November 2015, available at <https://www.cmkos.cz/obsah/222/vize-zmeny-hospodar-ske-strategie-cr/14318>

links, as well as underscore the credibility of the clear and simple message of the campaign. Centred on ČMKOS president Středula, the rally included presentations by

Figure 2: An example of presenting the wage gap by ČMKOS



Source: Presentation at the ETUC conference »Europe Needs a Pay Rise«, Josef Středula, Brussels, 14 February 2017.



other trade union leaders, ČMKOS experts, and guests from trade unions from abroad. Importantly, the meeting also demonstrated a unity of interest internally to ČMKOS affiliates, with the ČMKOS campaign bridging also the divide between the private and public sector unions that face different challenges in collective bargaining. The initial reaction within ČMKOS was mixed, with some unions accepting the invitation to the rally only reluctantly. However, the success of the event (its professional execution, engagement of participants including the stand-up ovations) and of the wider campaign convinced many. The ČMKOS affiliates thus decided to continue with the big rallies on an annual basis and there was no lack of volunteers to actively participate in the 2016 event.

#### The Czech Recipe: Take a Clear and Simple Message, Backed by Expertise and Official Data ...

A crucial point, already clear from these elements of the ČMKOS presentation of its case, was that arguments, even if presented through simplifying messages, were firmly based on recognised statistical sources and could be defended by specialists. To be taken seriously, a campaign for increasing pay needs to be backed with a credible analysis of its economic consequences. ČMKOS has attempted to provide this in their 2015 macro-economic strategy (ČMKOS 2015), based on previous work which had not attracted so much public attention. The data from their study was then used in presentations and other communications (see, e. g., Table 1).

The campaign thus drew on existing resources within the ČMKOS – most notably, the macro-economic expertise, the experience in calling rallies, and existing outside support for organizing expert workshops but employed them in a more effective way through a modern communication strategy. »An end to cheap labour« was thus a new way of working for the ČMKOS team rather than a campaign executed on top of the existing business. The permanent ČMKOS staff seemed supportive of change, particularly as the successes started to be apparent.

#### ... and Make the Message Part of a Bigger Picture/Struggle

Some economists and some representatives of business have challenged ČMKOS and offered opposing argu-

ments. One has been that higher pay will come anyway as and when employers can afford it: evidence presented above is that they already can afford substantially more. Another is that higher pay would threaten international competitiveness, leading to loss of jobs and migration of production to lower-wage locations. Indeed, higher pay does imply a transformation to economic activities that produce higher levels of value added, which generally means more skilled labour. Part of the argument from ČMKOS has been that such a transformation has not been achieved through the low-wage strategy of the past and will not be achieved by its continuation. It depends on changes in government policy to support technological advance. An immediate pay rise to western European levels might indeed be a threat to employment, but that is not the immediate goal of the campaign. A significant immediate pay increase would represent little threat, and certainly none to those parts of the economy where the content of work is already very similar to that in western Europe. Other activities, requiring lower skill levels, cannot be seen as a basis for prosperity in the future.

#### Seeking, Not Dodging the Debate with Experts

Engaging both with scientific communities and with potential opponents within Czechia, such as employers' organisations, was an important part of getting across an intellectually solid message. Thus, for example, events were organised to allow for specialist discussion. In this, civil society actors and other organization's fora were used, as well.

## 5. The Pay Campaign and Power Resources

We now follow with an assessment of the results of the campaign in terms of union power resources.

### 5.1 Favourable Economic Context

Recovery from the crisis of 2008–2009 led to falling unemployment. This is measured in Czech statistics as those actively seeking work as a percentage of the total population, all for the 15–64 age group. That is a significantly lower figure than the more usual measure of

those seeking work as a percentage of the active population. The level used in Czech statistics peaked at 7.4 percent in 2010 and had fallen to 3.5 percent by February 2017. This could be expected to indicate labour shortages in some activities, strengthening employees' bargaining power (the structural power), although regional differences were already substantially less than in the past. It is thus not possible to separate the impact of a more favourable environment from the trade union campaign on its declared goal: the wage increase. However, as we argue below, the key achievement of the campaign was its impact on social and institutional power of trade unions.

### 5.2 Gaining Societal Power – Union's Prestige and Self-confidence Can Push Each Other to New Levels

The hypothesis here is that the greatest impact of the ČMKOS campaign was in raising unions' prestige and standing in society, and hence in raising their own self-confidence. That is reflected in opinion poll evidence showing 47 percent expressing trust in trade unions in September 2016, compared with 38 percent a year earlier.<sup>8</sup> Many union leaders are convinced from personal experience that they are more respected and that they can present themselves with more confidence. It seems that unions have found a campaign issue that is popular and that many can identify with.

Prestige is also reflected in media coverage. Interviewees were convinced that they were being taken more seriously and their opinions sought more frequently. The media also visibly took up the ČMKOS messages embodied in the data presented above. However, this is not reflected in quantitative indicators of numbers of mentions of ČMKOS in the main media outlets. They appear rather stable, albeit with spikes at times of particular events. These are no bigger for events related to the campaign to end cheap labour than spikes in the past, such as at the time of a transport strike in June 2011 or a big street demonstration in November 2012, both of which were expressing opposition to a government in power at the time.

8. [www.pedagogicke.info/2016/10/cwm-duvera-k-vybranim-institucim.html](http://www.pedagogicke.info/2016/10/cwm-duvera-k-vybranim-institucim.html).

### 5.3 Using a Political Window of Opportunity

Societal power, understood broadly, was important for increasing institutional power, most immediately in terms of influence over government policies. The government from January 2014 was a coalition with the Social Democrats the largest party. This should provide an exceptionally favourable basis for trade union influence, but success depended on having chosen issues that could resonate with thinking in at least part of the government. An encouraging first step was a letter from Prime Minister Bohuslav Sobotka responding on 24 November 2015 to the launch of the campaign. This is worth reproducing in full:

*»I would like to congratulate you on the ČMKOS initiative ›An End to Cheap Labour‹, which is stimulating a much-needed discussion across society on the future strategic direction of the Czech economy. I would also like to thank you for the attached study and for your evaluation of the economic policy of the current government. With this I am expressing support for the aims of collective bargaining in terms of raising wages. It is necessary that the fruits of economic growth be shared by employees and not just by the owners of firms. The government will try to reduce the pay differential between the Czech Republic and the advanced states in the EU, for example by increasing the minimum wage or by raising pay in the public sector which indirectly influences the development of pay in the private sphere as well. Nevertheless, the government's ability to influence the growth of pay in the economy is limited. Trade unions have greater ability there. Real convergence of the Czech economy with advanced states is one of the priorities of government policy. This government, as distinct from previous right-wing governments, is aware that convergence strategy cannot be based on a current price advantage. In the longer term, further convergence must be based on raising the productivity of labour. The government is prepared to undertake a serious discussion with trade unions on their views on the further direction of Czech economic policy.«*

This was indeed followed by increases in public sector pay, by increases in minimum wage levels and by support for some groups of employees in disputes with employers, cases of which are referred to below.

## 5.4 Improving Trade Union's Bargaining Power

A number of union leaders report that the campaign has strengthened their hand in collective bargaining. They are more confident, employers know what to expect and find it harder to dismiss union demands out of hand and there is more willingness to press demands when faced with employer opposition. This has meant slightly more use of arbitration procedures, but strike threats, let alone strike action, remain extremely rare.

Some union leaders remain sceptical as to whether the campaign has made, or even could make, any difference. Plenty of employers appear as stubborn as before and it is an open question how far any conciliatory attitudes can be attributed to the union campaign rather than to more favourable market conditions. Nevertheless, many union leaders are convinced of the positive impact of the campaign, referring to helpful media coverage, precedents set by the government, especially by increasing the minimum wage, and the recognition in society that something has gone wrong in that wages have not converged with western European levels. Thus the justification for seeking pay rises is often linked to a recognition of the need for a new approach to economic policy in general, albeit without much detail as to what that should involve.

Three cases can illustrate how the campaign is seen to have helped. The first is public road transport, meaning buses outside the big cities operated by private companies that bid for tenders from regional authorities. Pay had stagnated while unions complained that labour shortages were being handled by imposing working hours beyond the legal maximum. However, pay depended on the ability of regional authorities to subsidise the private companies that run the system and this they seemed unable, or unwilling, to do beyond existing levels. For this union the pay campaign »came from heaven«. Threatening strike action brought the prime minister's involvement and an attempt to impose minimum pay for bus drivers on the provider companies, but some regions still appeared unable to provide the finance. A strike called for 6 April was successful only in some regions while Sobotka tweeted on the day that »bus drivers deserve higher pay after years of stagnation«, promising that the government would seek a solution ensuring that regional authorities would have the necessary financial resources.

The union representing retail workers reported that media coverage meant all employers were aware of the union attitude and a number conceded increases of over 5 percent. This followed more determination from the union side with greater use of arbitration, although strike action was never considered feasible. The supermarket chain Ahold proved to be a particularly stubborn employer, but conceded a 5% increase in basic pay rates when threatened with bad publicity. Such a threat would seem less credible in the absence of the ČMKOS campaign.

Finally, the union representing teachers and other workers in the education sector directly adapted, in coordination with ČMKOS, the campaign into their own campaign 'An end to cheap teachers'. Its goal including improving wages of teachers relative to other employees, a demand that entails additional political difficulties. The union negotiates wages primarily with the education ministry. As pay increases in the sector depend on the approval of the budget by the parliament, the union needs to target also the general public and the politicians across the board. The social democratic education minister was likely to listen to the trade union demand, but the trade union felt that their negotiating position was strengthened through the campaign. Social democrats effectively incorporated the trade union demands into their programme. In April 2017, the government approved increases in the education budget to fund 10% wage increases in each of the next 3 years as well as other trade union demands (such as better equipment). The trade union leadership felt that they had support from across the political spectrum and that gave them confidence that the commitments would survive a change in government.

## 5.5 Did the Campaign Help to Increase Wages and Stabilize Trade Union Membership?

Two outcomes could be strong evidence of the success of the union campaign. The first is an increase in wages. The second is an increase in union membership.

There is no doubting wage growth since 2014, but the table below shows that the biggest increases were in public sector pay and especially minimum wage levels. The latter had risen by only 6.2 percent from 2007 to 2013, but then increased by 8.2 percent in January 2015,



by a further 7.6 percent in January 2016 and by 11.1 percent in January 2017. It would therefore seem that influencing the government was more successful than winning higher pay through collective bargaining. In fact, the statutory minimum wage increases often served as a standard for sectoral agreements where these included minimum wages. However, that was evidently not reflected in the same increase in actual pay levels across the enterprise sector.

Table 3: Percentage nominal pay rises, enterprise and non-enterprise sectors plus minimum wage, fourth quarter to fourth quarter

	2015	2016
All	3.2	4.2
Enterprise Sector	3.1	3.7
Non-enterprise Sector	3.8	6.1
Minimum Wage	8.2	7.6

Source; [https://www.czso.cz/csu/czso/prace\\_a\\_mzdy\\_prace](https://www.czso.cz/csu/czso/prace_a_mzdy_prace)

More information on the success of bargaining in the enterprise sector over a longer time period is provided in Table 3. A striking point is that more agreements included a pay increase in 2016 than in 2015 (up from 61 to 66 percent) and the average increase was higher, at 3.1 percent. If that were to be the outcome, and collective bargaining does not set wage increases precisely enough to rule out a higher increase, this would point to a rise in real wages of 2.4 percent. Apart from 2015 this was higher than any year since 2009 when pay increases had been agreed before the depth of the crisis was appreciated. Thus, the conclusion is that wage growth, both nominal and real, was reviving after its post-crisis stagnation. Testimony from union officials suggests that this was helped by the pay campaign, but it was also helped by improved market conditions.

Table 4: Collective agreements and pay increases in the enterprise sector

	2008	2009	2010	2011	2012	2013	2014	2015	2016
% of agreements mentioning pay rise	74.0	56.2	42.4	56.1	59.7	59.4	57.7	61.2	66.1
Average agreed increase	5.5	4.5	3.0	2.7	2.6	2.6	2.5	3.0	3.1
Inflation	6.3	1.0	1.5	1.9	3.3	1.4	0.4	0.3	0.7
Average gross pay increase in practice	9.0	2.9	2.5	3.2	2.6	-0.5	2.9	3.1	3.7


Source: <http://www.kolektivnismlouvy.cz>

The effects of the campaign on union membership also remain unclear. There are claims of increases and of formation of new organisations from some, particularly those that have been most active. In others, new recruits may still be outweighed by loss of members. So far, it seems safe to claim a reduction in the rate of net decline and a possible stabilisation of membership levels. That would itself be an achievement when set against the seemingly inexorable decline of past years.

## 6. Conclusion: The Appeal of the Positive, Credible, and Unifying Vision

The ČMKOS campaign for »An End to Cheap Labour« could mark a major break in the development of Czech trade unions, bringing to an end years of decline. As argued above, it is best understood as improving the way the unions work and deploy existing resources. It is too early to say whether it will mark a turnaround in the standing of the trade union movement, but the campaign already marks a break in a number of respects from past practice. Five points are significant.

- The first is that it is an activity that can involve all trade unions across all sectors. It is about the trade union movement pursuing a common aim and raising its prestige and influence in society and not about individual unions pursuing their sectional interests alone. The leadership at the centre is therefore more important than ever.
- The second is that this increase in prestige and influence depends on better methods of presentation and in using them to put across a message that can strike a chord with much of society. A positive message is more likely to do so than a defensive stance. The target is very clearly the non-member as well as the current member.

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- The third is that, unlike previous union campaigns, this is not about defending what already exists: it is about setting out a positive vision of catching up with western European levels.
  - The fourth is that the success of the campaign depends on combining intellectual coherence with campaigning skills. Unions can influence intellectual and political life if their arguments are both accessible to the public and well-founded in scientific arguments.

A final point is that this cannot be seen as a short-term campaign. It is gathering momentum all the time, with more within the union movement becoming convinced of its benefits and overcoming the scepticism that was strong at the start and still continues within many unions. Indeed, it will need to be a long-term campaign, as reaching western European economic levels is still rather a distant aim.



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