

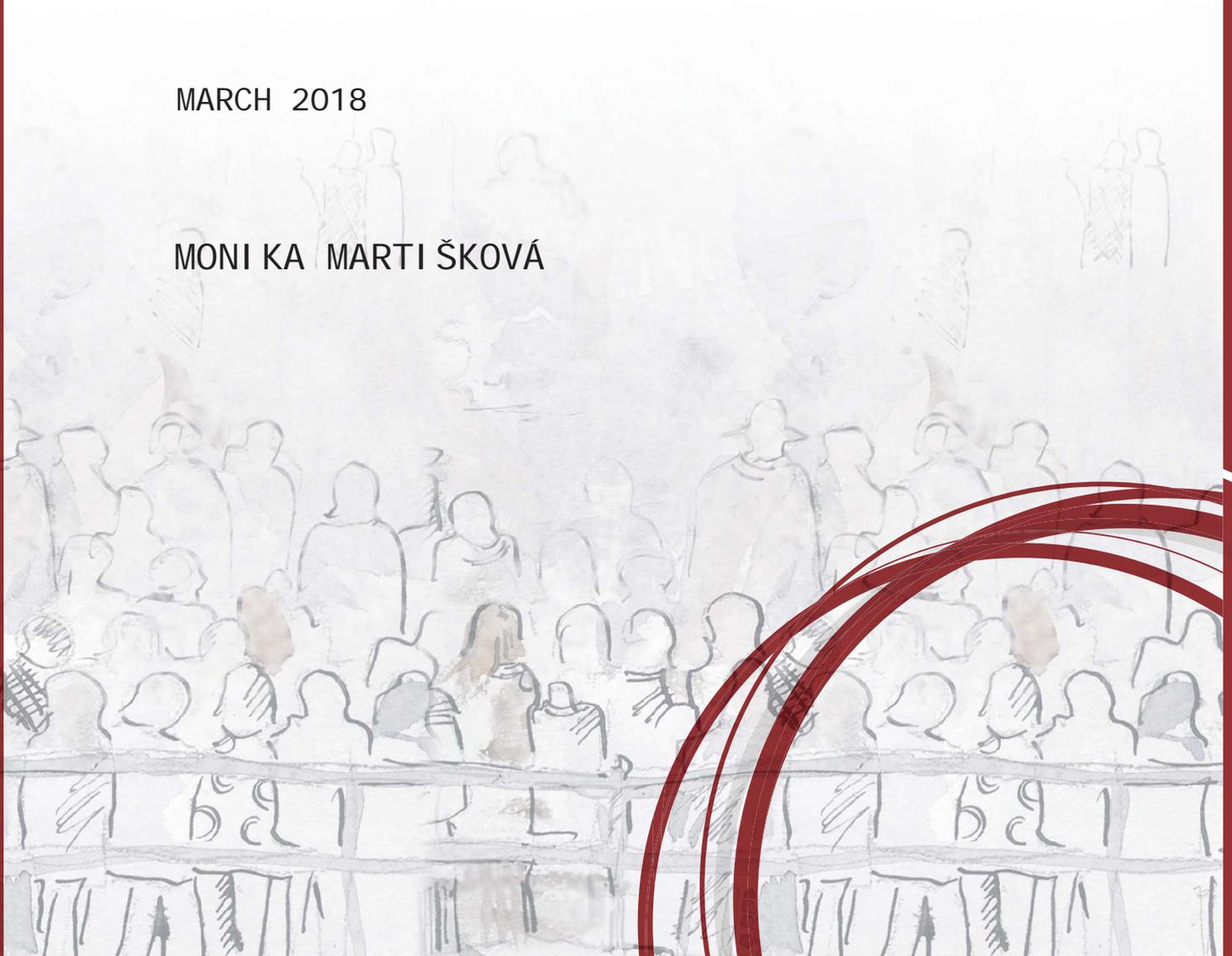
CELSI Research Report No. 26

# BARGAINING AND SOCIAL DIALOGUE AT THE PUBLIC SECTOR (BARSOP)

## COUNTRY STUDY: CZECHIA

MARCH 2018

MONIKA MARTIŠKOVÁ



# **Bargaining and Social Dialogue at the Public Sector (BARSOP)**

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**Monika Martišková**

Central European Labour Studies Institute (CELSI)

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### **Central European Labour Studies Institute (CELSI)**

Zvolenská 29  
821 09 Bratislava  
Slovak Republic

Tel /Fax: +421-2-207 357 67  
E-mail: [info@celsi.sk](mailto:info@celsi.sk)  
Web: [www.celsi.sk](http://www.celsi.sk)

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**Corresponding Author:**

Monika Martišková  
Central European Labour Studies Institute  
Zvolenská 29, 821 09 Bratislava, Slovakia  
E-mail: monika.martiskova@cel.si.sk

# Contents

1.	Introduction.....	5
1.1	The public sector in Czechia and its main reforms .....	6
1.1.1	Employment in the public sector in Czechia.....	7
1.1.2	Public sector reforms .....	10
1.2	Industrial relations in the public sector .....	12
2	Industrial relations and their role in shaping the public sector: Primary education .....	15
2.1	Financing.....	15
2.2	Wages and employment structure in the primary education sector .....	17
2.3	Reforms in the education sector.....	19
2.3.1	Reforms affecting wages.....	19
2.3.2	Reforms affecting teachers' workload .....	21
2.3.3	The economic crisis impact.....	22
2.3.4	The impact of the reforms on working conditions in primary education.....	23
2.3.5	The impact of the reforms on the quality of service in primary education .....	23
2.4	Industrial relations in primary education .....	24
2.5	The role of industrial relations in shaping the sector .....	28
2.5.1	Social partners on financing and wages in primary education.....	28
2.5.2	Social partners on the quality of primary education .....	31
2.6	Conclusions.....	32
3	Industrial relations and their role in shaping the public sector: Municipalities – pre-primary education.....	34
3.1	An overview of the sector .....	35
3.2	Wages and employment structure .....	38
3.3	Reforms in the sector .....	40
3.4	The role of industrial relations in shaping the sector .....	40
3.4.1	Social partners on financing and wages in pre-primary education .....	41
3.4.2	Social partners on the quality of pre-primary education .....	41
3.5	Case study .....	42
3.6	Conclusions.....	42
4	Industrial relations and their role in shaping the public sector: Hospitals .....	43
4.1	An overview of the sector .....	43
4.2	Wages and employment structure .....	44
4.3	Reforms and working conditions .....	45
4.4	Industrial relations in the healthcare sector.....	47

4.5	The role of industrial relations in shaping the sector .....	48
4.5.1	Social partners on financing and wages in healthcare.....	49
4.5.2	Social partners on the quality of healthcare service.....	50
4.6	Conclusions.....	51
5	Comparisons .....	52
5.1	Working conditions and reforms in the public sector .....	52
5.2	The role of industrial relations in shaping the public sector .....	53
5.2.1	Social partners on financing and wages in the public sector.....	54
5.2.2	Social partners on the quality of service in the public sector.....	56
6	Conclusions.....	58
7	References.....	61
8	List of conducted interviews.....	65

# 1. Introduction

The public sector possesses several specificities compared to the private sector. The public sector performance is in a larger extent guided by the quality of service provided that is associated with the quality of workforce and with employees' working conditions. At the same time, the public sector suffers from low wage levels, the high feminization in the healthcare and education, and in recent years also from staffs' ageing (Eurofound, 2014).

The presence and forms of social dialogue differ from the private sector as well. This is especially true for a Czech example which we are introducing in this report, since trade unions in the public sector do not possess exclusive access to influence the working conditions and the quality of employment. The multiplicity of the subjects in the role of the employers (including the state) and their unclear division of roles and competences in social dialogue with the government prevents collective bargaining in the public sector.

In the report on Czechia, we discuss three public sector domains, namely primary schools, hospitals and the local governments where we focus on pre-primary education. Furthermore, we study the role of the social partners in influencing working conditions and on the reforms in these public sector domains. We devoted special attention to the crisis measures which, despite the limited impact on employment, has contributed to the social partners' mobilization.

In the BARSOP project, we aim to answer two main research questions:

1. What is the evolution of industrial relations in the public sector?
2. What is the role of industrial relations in shaping the public sector?

The second research question is further guided by the three sub-questions:

- 2.1. What shape has public sector reform taken in the country in general and in the three sectors in particular?
- 2.2. To what extent and in what way have industrial relations actors (trade unions and employers and their organisations) influenced these reform processes, as well as their implementation, through collective bargaining, social dialogue, industrial action, lobbying, influencing public opinion, etc.?
- 2.3. What effect have reform policies had on the number and quality of jobs in the public sector?

We base our evidence on document and data analysis as well as on semi-structured interviews with policy makers at the national level and social partners' representatives at the national, sector and local levels. For the purpose of this project, we conducted 6 unique interviews within the BARSOP project. Since the authors' earlier research extensively focused on industrial relations in the public services, we also draw on the analysis and findings of our earlier projects. For the list of interviews, see Part 8: *List of conducted interviews*.

## 1.1 The public sector in Czechia and its main reforms

The public sector might be distinguished through the tasks that different institutions perform. Czechia has central, regional and local governments<sup>1</sup> and all of these levels are governed based on the principle of subsidiarity. The central government performs its tasks based on the system of state organizations and institutions as stipulated in the Act. No. 2/1969 Coll. on Responsibilities (Responsibility Act). Municipalities perform two different kinds of tasks. Tasks delegated by the state and tasks in their autonomous responsibility based on the Act No. 128/2000 Coll. on municipalities. This creates a so-called dual system of public administration in which regional and local levels perform both, their autonomous tasks as well as those delegated from the central government. The main difference is that while with delegated tasks, the territorial unit (region or municipality) is subordinated to the central organs of public service (e.g., ministries and central government offices), in its autonomous responsibility, the territorial unit applies its own regulations, which of course, are still subordinated to the national legislative framework. Regarding the sector examined in this study, pre-primary education and primary education are the autonomous responsibilities of the municipalities, but financed by the central and regional governments. Hospitals are in particular cases managed by municipalities, but the majority of them are privatized. There are also faculty hospitals owned by the state. The table below (Table 1) contains a detailed list of municipal responsibilities.

Czechia has 6258 municipalities with elected representatives and governments. These municipalities perform the tasks defined by the Act on municipalities (no. 128/2000 Coll.). Of this number, 205 possess extended responsibilities performed for smaller municipalities. Extended responsibilities comprise the evidence of the citizens in the area (ID, driver's licences and other permissions), environmental protection, waste management, transport infrastructure management, forestry management, and social benefits allocation. On average, one area includes 30 municipalities. At the regional level, Czechia has 14 regions (called *kráj*) with elected regional governments. They perform their own tasks as well as those delegated to them by the state, similarly to municipalities. A detailed distinction of responsibilities is in the table below (Table 1).

**Table 1 Responsibilities of the self-governed regions and municipalities**

Level	Detail	Type of competence
Regions		
<b>Education</b>	Secondary schools, special schools, art schools	Autonomous/Delegated
<b>Culture</b>	Historical heritage protection and management, theatres	Delegated
<b>Social work</b>	Social benefits (the second instance in the decision-making process)	Delegated
<b>Regional development</b>	Including zoning approvals and building construction permits	Autonomous
<b>Healthcare</b>	Hospitals (selected, not all)	Autonomous

<sup>1</sup>We refer to local governments as municipalities interchangeably in this study.

<b>Transport</b>	Roads of 2nd and 3rd class, regional railways and bus transport	Autonomous /delegated
<b>Environment</b>	Waste management in the region, including planning	Autonomous /delegated
Municipalities		
<b>Education</b>	Primary schools, nursery schools	Autonomous /Delegated
<b>Social work</b>	Social benefits	Delegated
<b>Regional development</b>	Building-construction permits in the specific area	Autonomous
<b>Healthcare</b>	Care for the elderly or disabled people, etc.	Autonomous
<b>Transport</b>	Road maintenance	Autonomous /delegated
<b>Environment</b>	Waste management in the area	Autonomous /delegated

Source: Author's compilation based on legislation

The system of delegated and autonomous responsibilities was established in 2001 with the creation of regional and local level governance structures. This mixture of autonomous and delegated responsibilities is the result of gradual reform approach of central government with the intention of controlling some areas of public services at the local level. The Ministry of the Interior criticized this system in its Analysis of the actual state of public administration (MVCR, 2011). The main problem of this unclear distinction of responsibilities, in which local municipal or governmental offices are responsible for both ,delegated and own responsibilities, is in the distinction of employees' subordination based on the agenda (delegated or autonomous) which results in communication problems, inefficient solutions and heterogeneous outcomes in various cities. Despite these drawbacks, no reform has been proposed yet.

The division of responsibilities has an important impact on the management of public services and the allocation of financial resources. It is illustrated in the example of education and healthcare, two areas of interest in this study. In the case of primary schools, the central government, but also regional districts, are partially responsible for financing labour costs, curriculum development, standard setting, and monitoring. Municipalities make decisions about capacities and allocate investments and operational costs, but have only a limited impact on education outcomes and the quality of employment. In the case of hospitals, both public and private hospitals fall under the system of public financing. Public and private hospitals therefore differ mostly in wages and quality of working conditions. This dual system of public administration in financing, management and responsibilities between local governments and central government causes decreased transparency and slows down efforts to modernize and improve efficiency (Kahancová, Martišková 2016).

### 1.1.1 Employment in the public sector in Czechia

The public sector in Czechia constitutes almost 20 percent of overall employment and tackles all of the important aspects of everyday life. In order to introduce the scope of the public sector in terms of expenditures and employment statistics, we used data from Eurostat, but we compared it with the statistics of Czech institutions, mostly the Czech Statistical Office (CSO). Regarding

the sectors covered in this study, we focussed on education, especially on primary schools, hospitals and pre-primary education. As all of these branches of the public sector are governed or influenced by the central government, we paid additional attention to that level as well.

The scope of public services covered in this chapter includes the central government, local government, public healthcare and public education. The central government refers to a centralized state administration at the level of Ministries and similar high-level state offices. The scope of central government is statistically differentiated through the assigned NACE codes (group 8), but also through distinct legal regulations of civil service. Second, the local government subsector emerges from the territorial structure and governance, i.e., regions, higher territorial self-governing units, provinces and municipalities. Third, education refers to public services offered predominantly through schools predominantly in primary education (up to level 3 in the International Standard Classification of Education – ISCED). Fourth, we focussed on reforms and working conditions in the hospital subsector (Group 86.1 of NACE Rev.2), which was exposed to wide-ranging transformations with consequences for employment relations.

The last 15 years have been remarkably stable in terms of employment in the public sector of Czechia. Employment in the public sector did not surpass 20 per cent of the total employment in the country, and according to the Eurostat database, the biggest employer in the public sector is healthcare and social work with 347.6 ths. employees, followed by education with 326.3 ths. and public administration with 324.2 ths (see Table 2).

**Table 2 Public sector employment**

Employment in Czechia							
	Public administration and defence; compulsory social security	Education	Health and social work	Total public Eurostat (OPQ)	Total public CSO	Employment total	Share in total employment (in %)
2000	304.8	289.4	280.9	875.1		4,617.3	19.0
2001	306.0	296.5	291.1	893.6		4,626.0	19.3
2002	295.2	304.4	287.5	887.1		4,677.3	19.0
2003	304.7	283.5	290.8	879.0		4,649.3	18.9
2004	304.6	273.7	308.3	886.6	911.1	4,629.4	19.2
2005	329.7	289.6	323.3	942.6	943.6	4,710.0	20.0
2006	321.8	279.0	323.7	924.5	928.9	4,769.4	19.4
2007	322.9	282.7	330.7	936.3	940.6	4,855.9	19.3
2008	312.3	276.0	315.7	904.0	922.1	4,933.5	18.3
2009	316.7	286.3	320.8	923.8	943.2	4,857.2	19.0
2010	325.3	287.1	333.5	945.9	964.8	4,809.6	19.7
2011	311.5	288.7	317.3	917.5	935.1	4,796.4	19.1
2012	302.8	310.2	326.2	939.2	957.8	4,810.3	19.5
2013	311.7	314.1	329.6	955.4	977.8	4,845.9	19.7
2014	314.3	315.4	344.4	974.1	999.1	4,883.5	19.9
2015	311.1	311.4	341.5	964.0	990.6	4,934.3	19.5
2016	324.2	326.3	347.6	998.1		5,015.9	19.9

Source: Eurostat, Czech Statistical Office (CSO), Slovak Statistical Office (SSO), in thousands of employees, age range 15-64

**Working conditions** in the public sector are guided by the Labour Code and by additional acts that regulate the working conditions of civil service and public service employees. In the case of state employees and the employees of municipalities and regions, supplementary acts guide their employment conditions. The Act on employees of self-governed units No. 312/2002 Coll. stipulates the recruitment procedure, the duties of the employees, and their life-long learning principles. A similar act was supposed to be implemented for state employees, but it was approved only in 2014, even though it had been prepared in 2002 and the adoption of the Act on state service was one of the pre-accession requirements of the European Union. Only the external pressures of EU representatives convinced the Czech government to approve the Act (Kahancová, Martišková 2016). The Act on the state service No. 234/2014 Coll. assigns the status of civil servants to the employees of state administration, defines their duties and responsibilities, and is supposed to guarantee their job stability irrespective of the ruling government. In terms of unionization and collective bargaining, civil and public servants are not exposed to any limitation. On the contrary, the Act on civil service allowed collective bargaining in the public sector for the first time, covering employees in the state service. The first collective agreement in the public sector was signed in 2016.

Working conditions in the public sector are not tackled by flexibilization in large extent; however, the number of temporary jobs is increasing. Part of this number might be attributed to the replacement of workers on parental leave, which can last until the child is up to three years old, or to workplaces created through projects funded by European structural funds which are of definite duration (LOC2, 2015).

**Table 3 Temporary employment in the public sector**

		2008	2009	2010	2011	2012	2013	2014	2015	2016
Public administration and defence; compulsory social security	Temporary employees	29.3	29.2	32.2	29.7	24.6	28.8	31.8	27.5	29.2
	Total employment	312.3	316.7	325.3	311.5	302.8	311.7	314.3	311.1	324.2
	Share of temporary employment	9.38%	9.22%	9.90%	9.53%	8.12%	9.24%	10.12%	8.84%	9.01%
Education	Temporary employees	28.4	29.2	25.2	24.5	27.3	29.7	27.9	30.5	25.4
	Total employment	276.0	286.3	287.1	288.7	310.2	314.1	315.4	311.4	326.3
	Share of temporary employment	10.29%	10.20%	8.78%	8.49%	8.80%	9.46%	8.85%	9.79%	7.78%
Human health and social work activities	Temporary employees	24.0	23.1	20.7	20.0	22.5	23.0	28.5	27.9	31.2
	Total employment	315.7	320.8	333.5	317.3	326.2	329.6	344.4	341.5	347.6
	Share of temporary employment	7.60%	7.20%	6.21%	6.30%	6.90%	6.98%	8.28%	8.17%	8.98%

Source: Eurostat, 2017

**The system of remuneration** for public sector employees is governed mostly by the Government's decree No. 564/2006 Coll. which regulates all salary levels for all degrees of qualifications and seniority of the employees in the public sector and public services, namely the employees of state organizations, municipalities and regions, social services, workers in education and medical staff in the state hospitals. An increase of the payments is a matter of discussion among social partners and the government. As Myant (2010) points out, not all public sector workers enjoy salary increases each year, and in most cases, increases react on the pressure of some groups of public employees. This is mostly common for teachers and healthcare workers, but also for policemen or firemen. Wages defined in the government decree are usually lower than actual wages which is explained by labour market competition forcing the public sector to equalize the wage levels to the private sector (Bouchal and Janský 2014, Glassner 2010).

### 1.1.2 Public sector reforms

The public sector in Czechia underwent important changes after the fall of socialism 25 years ago. The first reforms, during the 1990s, were aimed mostly at democratizing the public sector and synchronizing state institutions to democratic and market economy principles as well as the creation of local governments' structures (Staroňová and Láštic 2011). In this period, the legislative setting for central and local government structures and responsibilities was created, which meant a massive transfer of responsibilities and financial resources to 14 newly-created regional self-governed units (*samosprávné kraje*) in 2000. The responsibilities of the newly created administrative units have been transferred gradually throughout the 2000s and even later.

Czechia did not introduce radical changes in the public sector in the 1990s and 2000s. Despite territorial reforms and the transfer of responsibilities to the regions and municipalities and deconstructing state offices in the territory, changes in line with New Public Management (NPM) principles have been implemented only partially, such as in education through per capita financing or in the process of corporatizing of hospitals in healthcare (Kahancová, Martišková, 2016). The crisis and post-crisis period offered ad hoc measures with no systemic changes in the public sector, because the economic crisis did not shake the Czech economy profoundly. Instead of experiencing an economic decrease, Czechia has been struggling with economic stagnation (Myant 2013).

Two centre-right governments between the years 2007 and 2013 tried to introduce reforms aimed at decreasing budget deficits through minimizing the expenditure side of the budget. In 2007, the government of Mr. Topolánek, despite experiencing high economic growth and increasing revenues, introduced reforms to public finances, arguing that the current trend in public expenditures was unsustainable and needed to be revised. One of the arguments he used was the Maastricht criteria that the Czech Republic was obliged to fulfil prior to joining the Eurozone. Nevertheless, neither Topolánek's government, nor the following governments, have ever set a date or have made an official commitment to enter the Eurozone. In fact, a yearly report on Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area prepared by the Ministry of Finance and the Czech National Bank, still has not recommended the date of accession<sup>2</sup>, despite the fact that Maastricht's criteria is possible to fulfil.

After the economic crisis that arose as a consequence of the worldwide financial crisis in 2008, the center-right government of Mr. Petr Nečas introduced budget cuts. As a result, the wages of public sector employees were supposed to be cut by 10 per cent. Overall, the Czech economy was not hit by the crisis deeply and therefore the public sector remained almost sheltered from austerity measures. Despite minimal consequences, social partners loudly opposed decreases and budget cuts, which contributed to a low exposure to austerity. In the following table we have summarized the crisis measures and their consequences (Table 4).

**Table 4 Crisis measures and their consequences**

	Measures	Consequences
Central government	2010 – 2013: direct wage cuts for selected occupational groups in civil and public service, gradual compensation through wage growth since 2014	Nominal wage cuts for selected occupational groups of 10%, (2010), adjusted tariff wages for others; public sector real wages decreased by 7% (2008-2013), compared to a 2% average decrease in the whole economy; wage growth resumed after 2014 by 2.5-3.5%
	2010-2012: Internal restructuring across state institutions to cut public spending	A decrease in employment by 22.5 thousand (2010-2012); and 8,000 job losses in 2011 <sup>1)</sup>
Local government	2010 – 2013: direct wage cuts for selected occupational groups in civil and public service, gradual compensation through wage growth since 2014	Nominal wage cuts of 10% for selected occupations (2010) and adjusted tariff wages for others; a decrease in employment, concentrated among larger municipalities;
Healthcare	2013: Reform of financing rules for municipalities	Smaller municipalities improved their budgets, employment sheltered from direct exposure to cuts
	2010 – 2013: direct wage cuts for selected occupational groups (including healthcare), gradual	Wage cuts and wage freezes, wage growth resumed as part of public sector wage growth by 2.5 – 3.5% after 2014

<sup>2</sup><http://www.zavedenieura.cz/en/documents/fulfilment-of-maastricht-criteria>

Education	compensation through wage growth since 2014	
	2014: reform to stabilize hospital finance, direct state transfers to hospitals to compensate for income decline after recall of patients' administrative fees; discussions on increased stakeholder participation on healthcare financing (including the state)	Recall of administrative fees affected hospital incomes, effects on employment conditions to be evaluated
	2010: teachers excluded from adjustments in tariff wages	Teachers' wages mostly unaffected by broader public sector austerity measures
	2013 – 2015: restored wage growth by 2.5-3.5%; reformed financial rules of regional education (preschool, primary and secondary schools)	Expected increase in quality of public service; effects on employment to be evaluated later

Source: adopted from Kahancová, Martišková (2016)

In the subsections of this report we develop on reforms introduced in last 15 years and on social partners' responses in the public sector domains of primary and pre-primary education and in the sector of hospitals.

## 1.2 Industrial relations in the public sector

Industrial relations in the public sector are influenced by the absence of collective bargaining<sup>3</sup> at the sector level. Other forms of social dialogue on determining working conditions in the public sector are applied, such as negotiating tariff wages with the government, labour market wage determination through Labour Code (Hala 2008), or through collective bargaining at the establishment level. Social partners therefore rely on social dialogue in the form of tripartite consultations as well as in formal and semi-formal negotiations with government and ministry representatives. On the top of that, trade unions mobilize workers in various forms of protests (demonstrations, strikes, petitions, happenings, etc.). Collective bargaining is present at the establishment level of specific public sector organizations, such as ministries and their offices, regional and local government offices, hospitals, and schools. Most often, such collective agreements do not regulate wages while other working conditions do, such as sick days, holidays, the system of remuneration beyond tariff wages, etc.

The act on state service No. 234/2014 Coll. allowed collective bargaining in the public sector, and the first collective agreement was concluded in 2016, but covered only employees of the central government institutions (ministries and related) who are in civil service.<sup>4</sup>

<sup>3</sup>We understand social dialogue as a broader concept that refers to dialogue among social partners in different forms – formal, semi-formal and even informal. Collective bargaining (CB) is the result of the dialogue among social partners that is legally binding for them. CB therefore represents only one of the forms in which social dialogue may result in. Social dialogue is present in the public sector in Czechia, but no collective agreement at the sector level has been signed until 2016.

<sup>4</sup>This differs from the case in Slovakia where collective agreement for the public sector includes occupations throughout the public sector.

**Table 5 The bargaining structure and actors in pay determination in Czechia**

	Trade unions	Employers	Collective bargaining
Central government	Trade Union of State bodies and Organizations (OSSOO)	Ministry of Labour; Ministry of Finance	Collective bargaining launched for the first time in 2015, first SCA concluded in 2016; wage increases through government decree
Local government	Trade Union of State bodies and Organizations (OSSOO)	Ministry of Labour; Ministry of Finance, individual municipalities and local government offices	Wage increases through government decree based on unilateral government's decision. No higher-level bargaining coordination or collective agreement; Decentralized bargaining in municipalities where trade union is present
Healthcare <sup>1)</sup>	Trade Union Federation of Health and Social Services (OSZaSP ČR) Professional Trade Union of Medical Workers of Bohemia, Moravia and Silesia (POUZPČMS) Trade union doctors' club (LOK-SČL)	Ministry of Healthcare, Association of hospitals (AN ČR), Association of Czech and Moravian Hospitals (AČMN), particular hospitals	Establishment-level bargaining, supplemented by ad hoc tripartite social dialogue without the conclusion of higher-level agreements; wage increases through government order; estimated bargaining coverage 74% <sup>2)</sup>
Education	Czech and Moravian Trade Union of Workers in Education (ČMOS PŠ)	Ministry of Education + Ministry of Finance	Decentralized bargaining at school level; wage increases through government decree

<sup>1)</sup> Hospital subsector only

<sup>2)</sup> An estimate of healthcare employees covered by collective agreements (Veverková 2011)

Source: Adapted from Kahancová and Martišková (2016)

Trade unions in the public sector are organized according to the subsectors they represent. The Czech Moravian Trade Union of Employees in Education (Českomoravský odborový svaz pracovníků školství - ČMOS PŠ) has 23.5 ths. members (ČMOS PŠ, 2015). As the interests of workers in education differ in each level, internally, the ČMOS PŠ is divided into pre-primary, primary, secondary and tertiary education. The largest trade union in the healthcare sector is the Trade Union of Health and Social Care (Odborový svaz zdravotnictví a sociální péče – OS ZSP), with 35 ths. employees (Myant, 2010). In the healthcare sector there is also the trade union of medical doctors (Lékařský odborový klub–Svaz českých lékařů, LOK -SČL). While the first trade union is associated with the Czech Moravian Confederation of the Trade Unions (Českomoravská konfederace odborových svazů - ČMKOS), which is the biggest roof trade union organization in the country, the second one, LOK-SČL, is a part of a smaller Association of Independent Unions (Asociace nezávislých odborů- ASO). Another big public sector trade union associates 26 ths. employees of the central and local government administration (Odborový svaz státních orgánů a organizací – OS SOO). Other trade unions in the public sector include research employees, firemen or policemen. Detailed information on trade unions operating in the public sector and their affiliation with the trade union roof organization is shown in the table below ()

Table 6)

**Table 6 Trade unions in the public sector**

Sector	Name of the TU sector organization	Number of members	Association to roof TU organization
Education	Czech Moravian Trade Union of Employees in Education (Českomoravský odborový svaz pracovníků školství - ČMOS PŠ)	23,500**	ČMKOS

Healthcare	Trade Union of Health and Social Services (Odborový svaz zdravotnictví a sociální péče – OS ZSP)	35,000*	ČMKOS
	Trade union doctors' club (Lékařský odborový klub – Svaz českých lékařů LOK-SČL)	5,000	ASO
Public administration	Trade Union of State bodies and Organizations (Odborový svaz státních orgánů a organizací – OS SOO)	26,000*	ČMKOS
Interior	Trade union of firemen (Odborový svaz hasičů – OSH)	N/A	None
	Independent trade union of police of the Czech Republic (Nezávislý odborový svaz Policie České republiky NOS PČR)	N/A	None
Research	Trade union in university education (Vysokoškolský odborový svaz VOS)	5,900*	ČMKOS
	Trade union of workers in R&D (Odborový svaz pracovníků vědy a výzkumu OS PVV)	1,700*	ČMKOS

\*Source: Author's compilation based on Myant (2010), data on 2009 and \*\* ČMOS PS (2015)

There is no collective bargaining in the public sector, except the newly established social dialogue between the TU of state organizations and the government. In the rest of the public sector, the trade unions can only bargain at the establishment level (Dvořáková, Stroleny 2012). Nevertheless, trade unions are active in discussing employment conditions with the government, or in the legislative process. Their main instruments are lobbying activities, mobilization and protest activities.

Trade unions in the public sector, as well as in the rest of the economy, struggle with declining membership rates. After the fall of socialism, trade unions massively decentralized their structures in order to reverse the centrally controlled organization, and they gave responsibilities and independence to the basic organizations. Reorganization throughout the public sector, privatization, and the generally decreasing role and importance of collective bargaining and social dialogue has reduced trade union membership significantly. The current level of 12.7 per cent trade union membership level is the result of the constantly falling membership from the 64 per cent at the beginning of the 1990s (ICTWSS 2016).

Along with low trade union membership in the public sector, we observed a high number of demonstrations, strikes and campaign activities (Eurofound 2011; Kahancová and Martišková 2016). The reason is the limited collective bargaining and higher mobilizing potential of public sector workers. For instance, when the government announced crisis austerity measures in the public sector that included 10 per cent wage cuts and layoffs, insufficient social dialogue was one of the reasons why huge demonstrations occurred (Sedláková, Martišková, 2017). In 2011, trade unions managed to gather 100,000 people at the demonstration with the motto “Democracy

looks different” aimed against austerity measures in the public sector. Another unrest in the public sector occurred in healthcare in 2010 and 2011, when medical doctors launched a massive resignation campaign that demanded higher wages and better working conditions. The resignation campaign was successful; doctors managed to gain higher wages, but the rest of the medical staff, especially nurses, remained neglected. Recently in education, trade unions announced the campaign “The end of cheap teachers”. The campaign is aimed at wage increases for teachers, but also on overall improvements in their working conditions and the creation of a system of qualification recognition. In the following sections, we analyse campaigns in healthcare and education in greater detail.

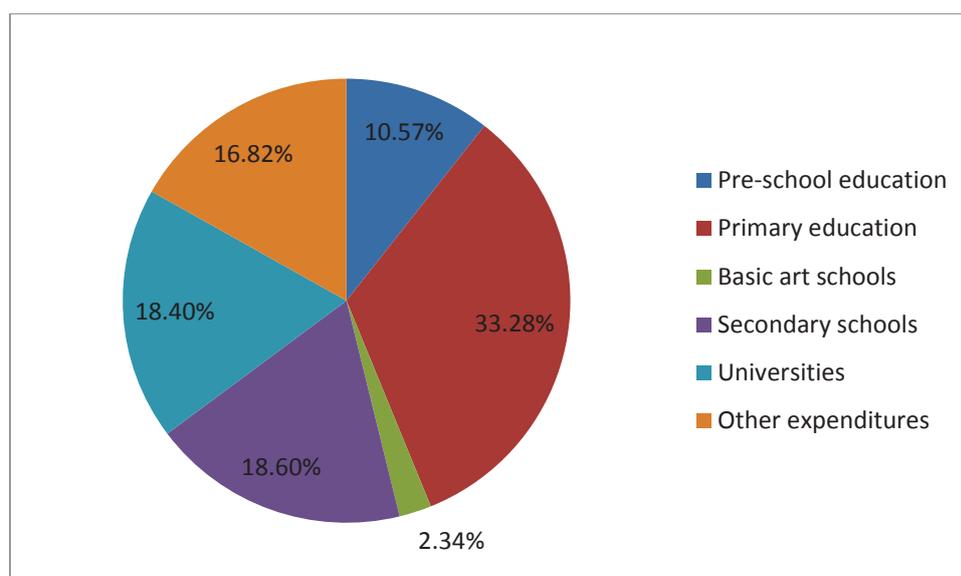
## **2 Industrial relations and their role in shaping the public sector: Primary education**

The primary education sector has gone through several reforms in the last 15 years the majority of which have been based mostly on ad hoc decisions missing a long term vision (Greger 2011). In these situations, social partners, but also other actors, have tried to either adjust proposed reforms to fit their needs, or reverse their implementation, especially in the case of budget cuts, mostly through social dialogue, lobbying and protest activities. In the following pages, we investigate how social partners influenced these reforms and policy changes, what impact these changes had on employment in the primary education sector and how these reforms influenced education outcomes, what role the social partners played, and what was the role of other actors in the sector.

### **2.1 Financing**

Primary education in Czechia is mostly public, while private and church schools constitute less than 3 percent of all schools, although their number is slowly growing. In the last 15 years, public expenditures in primary education experienced some fluctuation especially during the crisis and even before it. From the whole education sector, primary education expenditures create the largest share, more than 33 per cent (Figure 1).

Figure 1 Share of expenditures in education sector (2015)



Source: MŠMT, 2016

Almost 80 per cent of financial resources in education come from the central budget (Table 7), of which 60 per cent are wage transfers. The rest of the central budget is allocated to studying material and equipment like books or interactive boards and also co-financing grant schemes of the European Structural Funds. Another 20 per cent of the overall budget is covered by municipalities mostly for operation costs (heating and lighting). Overall, budget expenditures oscillate at around 4 per cent of GDP.

As we described in the first part of this study, municipalities manage school capacities and appoint directors, while their role in personal policy and wage setting is limited. We describe the role of the government and municipalities in forming the employment relations in the following sections of this chapter.

Table 7 Structure of expenditures on education, in%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Ministry of Education</b>	64.02*	62.34*	78.16	77.70	78.71	77.63	80.53	79.06	77.86	76.25	79.99	80.64	80.11	78.36	78.57
<i>of which transfers to regions (wage transfers)</i>	44.63	54.70	69.52	68.63	66.98	65.55	61.54	66.18	65.37	64.50	61.08	61.59	61.39	62.08	62.21
<b>Municipalities</b>	38.96	38.34	48.74	48.23	20.15	21.23	18.92	21.12	21.93	22.56	21.36	19.98	20.38	21.65	21.59
<b>as % of GDP</b>	3.82	4.06	4.14	4.02	4.00	4.07	3.99	3.76	4.18	4.12	4.32	4.24	4.24	4.19	4.09

Source: MŠMT, 2015

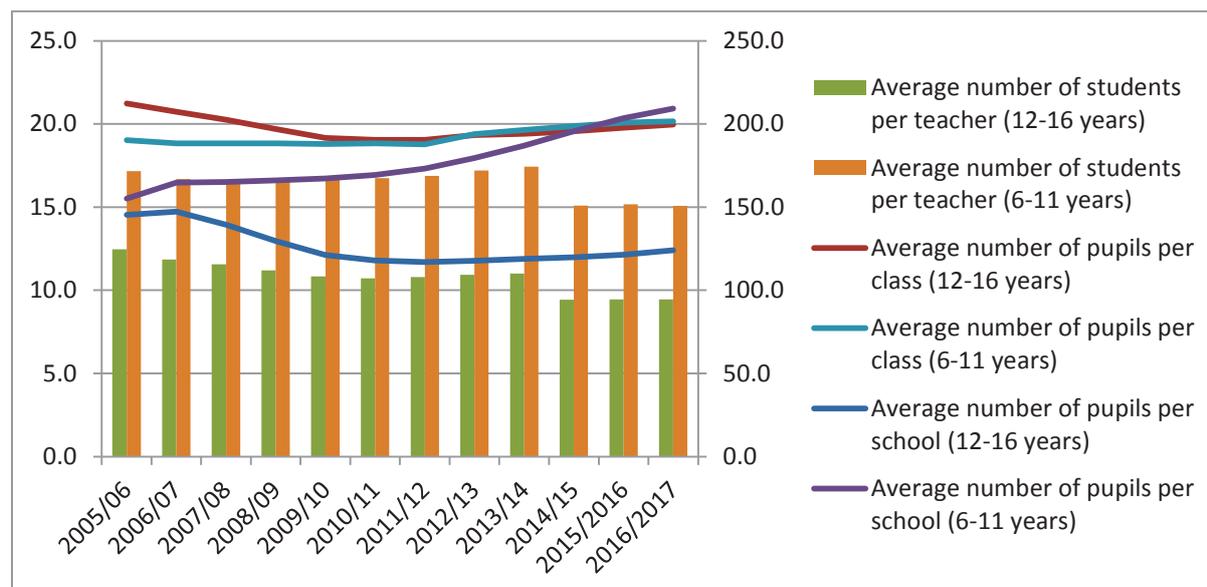
Note: \*the sum of ministry and state regional office expenditures that existed until 2002.

In 2003 and 2004, municipality expenditures included transfers from the central government. The reason why the sum of expenditures of the Ministry of Education and municipalities does not constitute exactly 100% are extra transfers from Ministry (central) budget.

To describe an education service, we follow the ratio indicators of the number of pupils per class, number of pupils per school and the number of pupils per teacher. The first and second

grade<sup>5</sup> in primary education follows inverse trends in these indicators, while in the second grade, the number of students per class decreases. In the first grade, it increases, and on average, it is below 20 students per class. These differences stem from the demographic development in Czechia, between 1996 and 2003 birth rate did not exceed 1.2 children per 1000 women, in 2004 it was 1.226 and at the end of the 2010s it was 1.493. In 2015, it was 1.57 which suggests a future need for growth of capacities in pre-primary and primary education (CZSO, 2016). An indicator of student/teacher ratio is stable over time, which is the consequence of per capita financing which provides incentives to keep this ratio stable.

Figure 2 Primary education - selected ratio indicators



Source: MŠMT, 2015

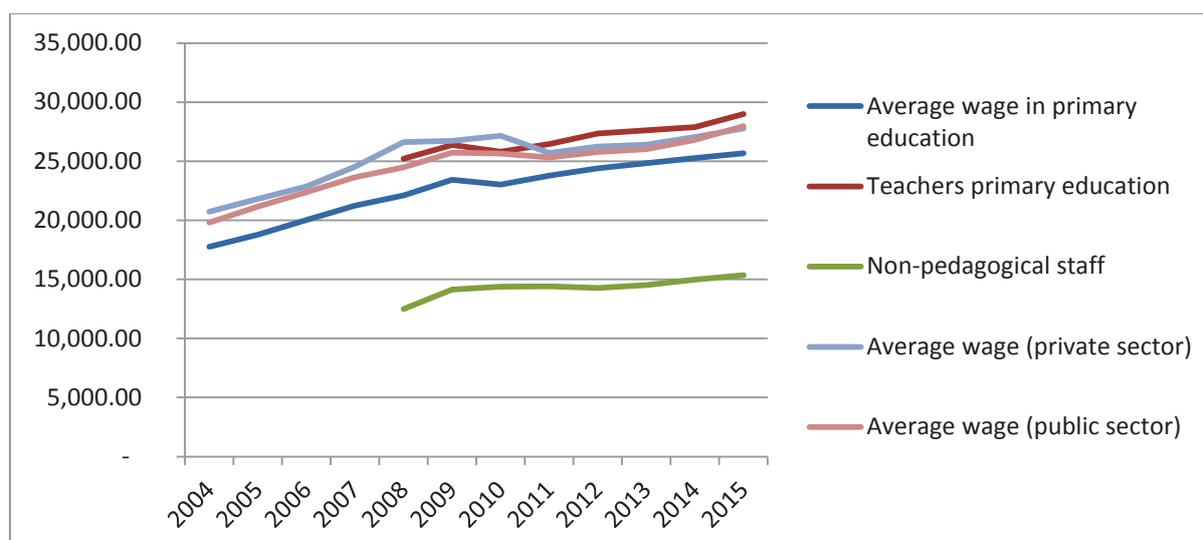
Notes: The right axis depicts the average number of pupils per school, while the left axis depicts the average number of pupils per class and the average number of pupils per teacher.

## 2.2 Wages and employment structure in the primary education sector

Wages in the education sector are defined through tariffs which are not necessarily updated each year, however the budget increases yearly (with the exception of budget cut between the years 2007 and 2010). Tariffs constitute 86 per cent of teachers' wages, while the rest are flexible components being dependent on the decision of the school director. The factor that most differentiates wage tariffs is seniority (CZSO, 2006), while teachers' life-long learning is not reflected in wages.

<sup>5</sup>The first grade in primary school is from the first to fifth class, i.e.. pupils of the age of 6 to 11, the second grade is students from sixth to ninth class, i.e. between the ages of 12 to 16.

Figure 3 Wages in primary education



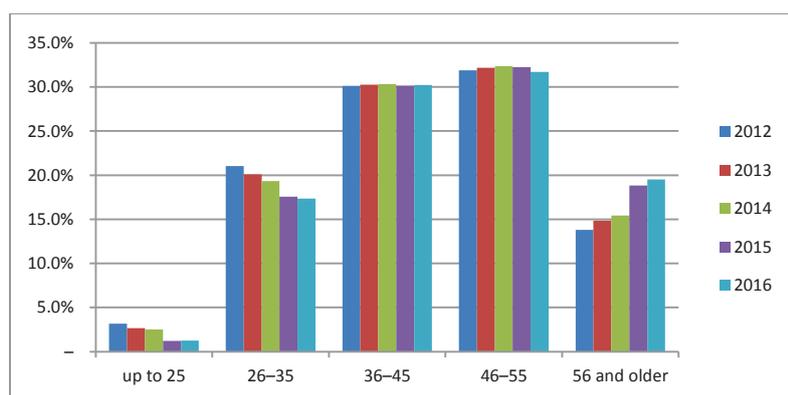
Source: Data on teachers' and non-teachers' wages -Ministry of Education, Data on average wage in the public and private sector - ISPV

The average wage in primary education (including non-education staff) is below the average wage in the public and private sector, while teachers only earn slightly more than average in both. Non-pedagogical workers earn the lowest wages in the entire economy. In 2016, 73,405 teachers worked in primary schools and their average wage was 29,005 CZK which is in huge contrast to non-pedagogical workers with 15,345 CZK (Figure 3). The number of non-pedagogical staff is in total 16,000 and includes positions such as cooks, cleaners, and accountants, etc. When compared to the average wage, primary school teachers earn 109 percent of the national average wage (MŠMT, 2015) but this is below the average wage of employees with a university degree, which all actors consider insufficient and why they continuously call for wage increases. Since 2008, the situation has slightly improved as the ratio has increased by 6 percentage points; however, it hasn't reached the goal of 130 per cent aimed at by the trade unions and the government.

**The feminization** of the sector is remarkable; almost 86 per cent of teachers are women. Despite the share of men being only 14.1 per cent, in school management, their share is much higher, at 34 per cent in 2016 (MŠMT 2016). One of the reasons while men undertake managerial position is the prospect of a higher wage. As data confirms, the average male wage in primary schools is 27,000 CZK compared to 44,800 CZK for male school directors (MŠMT 2016). Despite these differences, the gender pay gap in education is low, at only 1.3 per cent while in managerial positions, males earn 7 per cent higher wages than women. Compared to the average gender pay gap in Czechia, which is around 23 per cent, the education sector is considered to have one of the lowest gender wage differences.

Education sector also suffers from the aging of teachers, especially the primary education. More than 13.9 per cent of teachers in primary education were older than 56 years in 2012 compared to 2016 when their share was 19.5 per cent (Figure 4).

Figure 4 Ageing in primary education



Source: MŠMT, 2016

In education, 10 per cent of employees work on temporary contracts while other precarious forms of work are not present in education. In 2015, temporary employment in primary and secondary education contributed to the precarious working conditions of at least 3.7 per cent of workers which is around 4,000 teachers (českáškola.cz, 2015). Other forms of precarious employment are almost non-existent and precariousness is observed mostly in high work load and low wages.

## 2.3 Reforms in the education sector

Since the fall of socialism, the primary education sector has passed several reforms but most of them lacked a conceptual plan and long-term vision (Gregar 2011). While in the first years of transformation, the main accent was given to depolitization and decentralization, reforms in later periods aimed at changes in the financial flows, content, and education outcomes. In many cases, reforms resulted in decreasing the quality of employment through decreased financial resources and/or through increased workload. In the following pages, we describe how reforms have affected wages, workload, social dialogue and quality of service.

### 2.3.1 Reforms affecting wages

The biggest **reorganization** in primary education was experienced during the 1990s when schools obtained large scale of autonomy in contrast to the largely centralized organization under the previous regime. The extent of the autonomy attained in the 1990s was characterized by Grygar (2000) as “unusually wide.” Moreover, in the second phase of the transformation, in 2001, responsibilities in kindergarten management, primary and secondary schools were transferred to municipalities and regions by the Act no. 132/2000 Coll. on public administration. In 2001, municipalities and regions obtained tasks previously controlled by the state regional school offices. As a consequence of this reform, the Czech education system has become one of the most decentralized in Europe (McKensy 2010). In the transformation period, wages stagnated compared to growth experienced in the private sector and as a result, teachers lacked motivation for high quality work or were even not able to meet current standards.

The transfer of responsibilities from the central to local government did not mirror in its financing system. The central government allocates financial resources on teachers’ wages based on the one defined criteria – the number of students enrolled in the particular school, the so

called **per capita financing**. This system was implemented in 1992 and was supposed to enhance competition among schools in line with the NPM principles. This measure was expected to provide incentives for schools to maintain quality and also to include parents and other stakeholders in influencing the quality of education. Despite this effort, the system of financing based on the number of students provided mostly negative incentives. The only way a school could obtain higher resources for employees' wages is through increased number of pupils, which may decrease the quality of education. At the state level and also at the regional administrative unit level, there is an exact amount a school is entitled to obtain for wages, based exclusively on the number of students they have enrolled in, so called "normatives". To illustrate, primary schools obtain 50,423 CZK yearly per student on average (MŠMT, 2016). This number slightly differs in each of the 16 regions that decide regional normatives, but the differences are rather small; up to 10%.

As reaction to the criticism of the per capita financing system, the Ministry of Education prepared the **reform on financing of pre-schools, primary and secondary schools** in 2016, which should be implemented in 2018. According to this proposal, per capita financing should be replaced by financing based on the maximum defined hours taught for the given program, partially by the number of pupils in each class and the number of pupils with special needs. This reform should ensure better remuneration of teachers based on their quality and allow smaller classes to increase their quality.

According to the Ministry of Education, the reasons for the reform were the following drawbacks of the current system of financing (MSMT, 2016b):

- In the per capita system of financing, the Ministry of Education cannot take into account differences among schools (the size of classes especially in kindergartens and primary schools, different specialization in secondary schools or the different number of students with special needs)
- Instability of financing: when schools receive a different amount per student as it is defined by the regional government
- The current system also does not provide better remuneration for high quality teachers or schools with a higher number of good teachers having limited resources to remunerate them appropriately as the system itself does not take into consideration the quality of the teachers.
- Per capita financing in practice means that even a small decrease in pupils, even by one, means a decrease in teachers' wages, despite the fact that the number of teachers remains the same and amount of their work did not change either.

The new system should minimize these shortcomings and allow for better financing for schools and pre-schools. The reform is not primarily aimed at increasing teachers' wages, but is aimed at better redistributing resources and creating incentives that would lead to a higher quality of education (MSMT, 2016b).

Together with the financial reform, a **new career code** was expected to tackle the employment conditions of teachers. The reason for the proposal is a long-term need to motivate teachers to take this career path, appreciate the best teachers and increase their remuneration. The proposal

defined 3 degrees of teacher's qualification: a beginner with a minimum 2 years of teaching, an advanced teacher with more than 10 years of teaching and an experienced teacher with more than 12 years of teaching. The Ministry of Education expected that by 2020, up to 30 per cent of teachers in primary and secondary schools will acquire a third degree. Expected costs on rewards are 3 billion CZK and this huge mandatory expenditure was the main reason for the Parliament disapproving the proposal in 2017.

The current system of career paths allow only for supplementary activities of the teachers for which they can be remunerated better for, such as career advisory for students in the last years of the primary school. Therefore, the new system was expected to provide motivation for teachers to participate in life-long learning. Recent research on determinants of successful primary school provided by the Czech School Inspectorate supports the need for career code implementation. The research revealed that schools with motivated and well prepared teachers attain better education outcomes (CSI, 2017).

### 2.3.2 Reforms affecting teachers' workload

In the school year of 2007/2008, the new **curriculum reform** was approved and applied to pre-schools, primary and secondary schools, and the new curriculum consists of two programs: the Frame Curriculum Program, defined by the state that specifies the main subjects schools are supposed to teach, and the School Curriculum Program created by the school itself, that includes educational priorities of the particular school. Schools therefore have the opportunity to specialize in natural sciences, foreign languages, or physical activities by introducing special subjects that enhance the competences of pupils in the given area.

This change was supposed to reform the education system, while the inclusion of independent thinking and the application of knowledge were neglected (Beran et al 2007). This change further enhanced the autonomy of primary schools in their curricula programmes and was supposed to affirm competition among schools in line with NPM based on the quality of education and specialization. However, the first prerogative for such a change, the teachers' skills, has not been reflected in the preparation, neither in the implementation phase. School management and teachers faced the highly demanding task of changing school educational programmes (EDU2 2017). As a result, many school programmes copied previously used ones. As Beran et al (2007) pointed out, very little support documentation and activities were provided to schools and teachers in that period. According to the survey, teachers were not prepared for the content revision of education in such a great extent and undertook it as an inevitable task, without any effort to improve the methods of education. Reform has also increased the workload of the teachers but the preparation of the school program was not considered as extra work (ibid). Surprisingly, other stakeholders, especially parents were, according to the research of Straková (2007), satisfied with the education outcomes at primary schools which further discouraged schools' from introducing changes in education programmes. The satisfaction with primary education outcomes is supported by the ranking of the Czech students in PISA testing in which Czechia ranks at the average of the OECD countries (Greger 2012).

In 2016, **inclusion reform** was introduced. It was aimed at students with special needs, such as students with physical or mental disabilities. These students were entitled to an assistant or other

special compensation in order to complete a regular education process at primary schools. Even before the implementation of this reform, three fourths of primary schools were providing inclusion for disadvantaged students, however on a voluntary basis only and with limited financial resources. With the reform, financial resources for students with special needs are now available to schools. A year before implementation, 52 ths. students with special needs were in regular primary education (6 per cent of all students), and after the implementation of the reform, almost 27 ths. children were supported through the inclusion program. The number of assistants grew from 8,873 in the 2014/2015 school year of 2014/2015, to 10,382 in the next school year and to 13,299 in 2016/2017 (Novinky.cz, 2017b).

In special schools designed only for the students with special needs, the majority of 24 thousand children are mentally ill, 16 per cent of them are **Roma children**, while in population their number is much lower. Romas in the Czech education system still face discrimination and more than half of them are segregated (FRA, 2016).

### 2.3.3 The economic crisis impact

During the crisis, education remained sheltered from austerity measures implemented elsewhere in the public sector; the introduced wage cuts have not been implemented in the education. Nevertheless, the Ministry of Education forced schools to cut their spending by 250 million CZK, which affected the purchase of new books or school equipment and in some cases also wage costs. Schools had to save on training pedagogical staff and on equipment or investments (Aktualne.cz, 2010), but those savings lasted for a maximum of two years and had a minor impact in the long-run, as confirmed by the respondents in our research (EDU2 2017, EDU1 2016). Wages decreased nominally in 2010 by 2 per cent, only because of the decrease in bonuses and additional payments to basic tariffs (Figure 3).

Budget cuts affected mostly investments or wage bonuses, but financial allocations on wages remained unchanged. Crisis measures did not affect the number of teachers that remained stable (Figure 2). Budget cuts did not affect the system of financing based on the per capita principle that basically does not allow for differences in the student/teacher ratio.

**Table 8 Expenditures on primary education as a share on whole budget on education (in %)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Share of expenditures on the primary education	34.38	34.27	36.87	36.47	33.74	33.71	31.29	32.81	33.00	32.12	31.40	30.92	31.57	32.56	33.28

Source: MŠMT (2016)

Financial cuts introduced during the crisis were not so severe because of the austerity measures introduced before the crisis outburst. In 2007, public expenditures at the primary education level had already decreased to 31 per cent as a result of deliberate budget cuts introduced by the Topolánek government (Table 8). The reason was the need for stabilization of the budget balance that the government decided to solve through the budget cuts.

Even though the share of expenditures in primary education grew ever so slightly in the following years, a new minimum was reached as the consequence of the austerity measures related to the economic crisis in 2011. The situation has only recently stabilized, as expenditures

are once again growing (Table 8). Overall expenditures in education oscillate at around 4 per cent of GDP, yet trade unions are demanding to increase it to 6 per cent of GDP.

### 2.3.4 The impact of the reforms on working conditions in primary education

In terms of working conditions, reforms did not improve wages, but increased the workload and contributed to the erosion of social dialogue at the establishment level. The fight for higher wages in education has been emphasised for at least 20 years and its poor quality is mostly related to this issue. However, none of the reforms mentioned above have improved the situation.

The crisis amplified **the problem of low wages** as those were frozen for few years, but did not provoke discussion on changes to the education system. A new proposal on the change of financing is expected to tackle working conditions mostly in terms of the financial stability and teachers' wages. It also should release pressures on the quantity of students and provide incentive to improve the quality of education.

**Increasing workload** was mostly associated with the curriculum reform from 2007 and with the recent inclusion reform from 2016. This increased workload is however, not transferred to overtime work as teachers tend to "take work home" and therefore it is difficult to extract an exact number of their overtime work hours. This is different in the healthcare sector, where workload associated with increased overtime hours is regularly reported.

The transfer of responsibilities in 2001 contributed **to the erosion of social dialogue** when the role of employer was assigned to the school directors responsible for personal management and remuneration. As a consequence, the school level is the only level where collective bargaining takes place, and in each school, different collective agreements can be signed.

### 2.3.5 The impact of the reforms on the quality of service in primary education

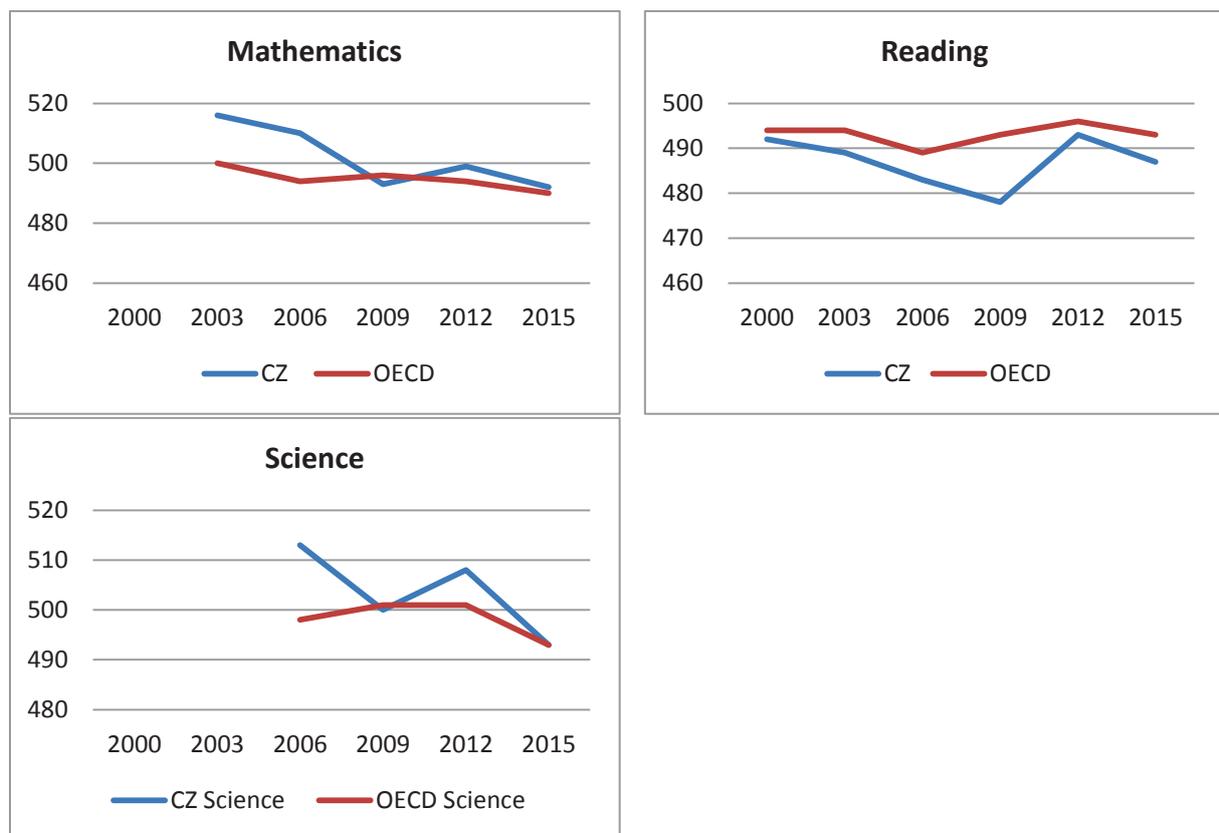
Reforms definitely mirrored in the quality of service, however not as dramatically as it was expected. As pointed out by the newspapers article summarizing the PISA results from 2015, Czech students had such a satisfactory outcome in the latest measurement that it must be attributed to the Czech teachers who are enthusiastic about their job despite their low wages (Novinky.cz 2017a). Czechia spends around 4 per cent of GDP on education, while countries performing similarly in the PISA measurement invest significantly higher amounts. In the graphs below, we see that in all three monitored areas of PISA measurement, Czech education performs around the OECD average; although their performance has decreased remarkably since 2000 (see Figure 5).

What Gregar (2011) considers symptomatic is the fact, that only international surveys such as PISA by the OECD or TIMSS by the IEA association are the only sources of quality comparisons in Czechia. However, the Ministry of Education introduced common testing scheme for students in their last year of primary education in 2016 with the aim of coordinating and measuring the quality of primary education. The results of the unified primary school exam must be considered when accepting pupils to secondary school for a 4 year

programmes. The main reason for this unified testing scheme is the Ministry of Education's concern that primary schools provide very different outcomes given their autonomy in school programs content and in personal management (MŠMT, 2015).

The quality of education outcomes has been identified as a problem by the SCIO who organize common testing for students in the last year of primary school. According to their study, the decreasing quality of education may cause GDP losses of 11 per cent yearly by 2050 (SCIO, 2010). Surprisingly, parents and teachers are content with the education system in Czechia, since 81 per cent of the parents and 71 per cent of teachers consider education outcomes satisfactory (SCIO, 2010).

**Figure 5 PISA results development in Czechia and OECD average**



Source: OECD PISA results <http://www.oecd.org/pisa/data/>

## 2.4 Industrial relations in primary education

To understand social dialogue and actors in primary education, we should firstly briefly introduce the system of employment relations. Those are marked by decentralization and even atomization in the organization of primary education. Each school director formally decides about their personal policy, recruitment and management of their teachers. The director of each particular school acts as an employer and therefore a collective agreement can only be signed at the school level.

Financial resources are decided at the national level, so even though the director is appointed by the municipality, financial resources and wages are decided centrally. Only part of director's wage, in the form of a bonus, is dependent on the municipality representatives' decisions.

Nevertheless, municipalities' role in influencing education outcomes is almost negligible since the maximum size of the classes and teachers' wages are decided by the central government.

This playground has consequences in social dialogue, on the strategies of social partners and other actors in the sector. Social dialogue in the form of collective bargaining is formally held only at the school level, if the trade union organization is present and active. Collective bargaining at the sector level is not possible to establish as there is no employers' organization, nor does the Ministry of Education act as an employer, nor is it the municipality that is responsible for providing education in this area. Therefore, sector social dialogue is promoted at the school level through the sample collective agreement approved by the Ministry of Education that might be modified and signed between the trade union organization and the school director<sup>6</sup>. At the national level, social dialogue is held through the tripartite consultations. This central level is approached by organizations that represent different subjects and are involved in providing primary education in Czechia, from municipalities, to school directors, employees represented by the trade unions and to organizations that promote inclusion, better quality of education or ICT use. We focus further on the organizations active in social dialogue having impact on working conditions in the sector.

### *Trade unions*

Trade union organization in the education sector, Czech Moravian Trade Union of Employees in Education (Českomoravský odborový svaz pracovníků školství - ČMOS PŠ) is one of the biggest trade union organization in the public sector, although with decreasing membership (see Table 9). In 2013, ČMOS PŠ together with the University trade union (Vysokoškolský odborový svaz – VOŠ) the Association of the Trade Unions in Education Sector (Odborová asociace školství). The latest figure suggests VOS had 5 680 members in 2009 (Myant, 2010). In 2013, ČMOS PŠ had above 25 ths. members, but since then, the number have decreased. Basic trade union organizations are rather small, having only 14 members on average (Table 9). This refers to the structure of the social dialogue, which is possible only at the level of particular schools. The presented number of basic organizations includes all regional level school establishments, including pre-schools and secondary schools. To compare, the number of all establishments in regional education is around 10,800, so an approximate coverage rate in education might be 10 per cent or lower, since not all basic trade union organizations sign collective agreements.

**Table 9 Trade unions in education – membership levels**

	Trade union members	Number of establishment level organizations	Average size of basic organization (number of members)
2001	78388*	n.a.	n.a.
2007	43785	2502	18

<sup>6</sup>Most often a collective agreement at the school level does not include wage clauses as those are decided at the central level. A school level collective agreement consists, for instance, of clauses on the number of sick days, some compensation clauses if one's own equipment or instruments are used, clauses on overtime work, free time benefits and clauses on mutual information and coordination. Regarding wages, only the regulation of the amounts above the tariff wages are included, if any.

2009	37481*	n.a.	n.a.
2010	33656	2165	16
2011	31897	2153	15
2012	27756	1878	15
2013	25418	1813	14
2014	23491	1729	14

Source: Our own compilation based on reports of activities of the trade unions in education sector. \*Myant (2010)

As it is visible from Table 9, the education trade unions have been consistently losing their members. The main reason is the fact that in the last 15 years many of the schools and education organizations have been closed or merged. Another reason why members have quit trade unions is the lack of governance transparency. Trade union members miss information about trade union activities and the use of the membership fees (ČMOS PŠ 2004). Another reason for membership decrease is the missing personal capacities, as no one from the affiliated members is willing to represent the TU organization (ČMOS PŠ 2004).

### ***Employers***

On the side of the employers' organization in the education sector, we find several associations, all of them associated in the CZESHA union. Member organizations are associations of different types of education institutions in Czechia, including the Association of Directors of Primary Schools (Asociace ředitelů základních škol - AŘZŠ). AŘZŠ was established in 1999 as an interest organization of the primary school directors to deal with the issue of management professionalization at primary schools. Although this organization is not entitled to collective bargaining, it represents the interests of school directors who are formally employers and negotiate collective agreements at the school level. AŘZŠ has around 160 members among primary schools out of 4,140 primary schools, which means they represent the 3 per cent of primary schools, limiting their capacities to influence particular problems in the sector (EDU2, 2017).

***Municipalities*** are represented by the Union of Town and Municipalities of the Czech Republic (Svaz měst a obcí ČR – SMO ČR) which associates around 2,500 municipalities representing 70 per cent of the population. Municipalities themselves have a very limited impact on the quality of schools and working conditions. In this situation, working conditions are regulated by the central government and SMO ČR is part of the Tripartite consultations, similarly to the trade union. To some extent, they act as employers' representatives.

***Regions (kraje)*** are also important actors when it comes to the division of finances, because they have the ability to decide the formula according to which financial transfers to the schools are provided. This system creates disproportions in wages throughout the country, despite centrally defined wage tariffs. At the regional level, trade unions and other associations participate in the dialogue on school financing, but again, this does not have the form of social dialogue as defined in the legislation.

Last but not least, an important actor in the sector is the state, as the majority of the schools are public. The ***Ministry of Education, Youth and Sports*** (Ministerstvo školství, mládeže a tělovýchovy – MŠMT) is responsible for financial transfers of wages in the education sector.

Therefore, a lot of actor's effort in education is concentrated on bargaining over the wage levels of the teachers and non-pedagogical staff with the Ministry of education. Wage tariffs, in the sense of minimal wage claims, are set by the Government decree.

Besides financial allocations on wages, the Ministry of Education has only limited powers to influence working conditions and quality of education. To overcome this drawback, it tries to initiate common standards in education outcomes through common testing of students graduating from primary education. As Gregar and Walterová (2007) point out, "*The key role of the centre is now to coordinate, regulate and distribute financial resources within its position as the possessor of overall budgetary control.*" (p.20). The weakened position of the central government also ruined efforts to implement any systematic changes in education and control the quality of service provided.

### **Government**

Given the non-existence of the sector social dialogue, the depth of social partnership outcomes in the sector are highly dependent on the colour of political representation and its willingness to participate in the social dialogue. We compared TU protest activities based on their report of activities between the years 2007 and 2015 with the government colour. In general, centre-right parties that were present in the governments from 2007 to 2013 provided reforms with the aim of decreasing spending in education. Those budget cuts were motivated at the first phase by the efforts to rationalize and provide some flexibilization in the remuneration system at the second phase by the crisis austerity measures.

As we see in the Table 10, the period of budget cuts was marked by a variety of ČMOS PŠ protest activities, like campaigns on wage increases, demonstrations, petitions, strike alerts and strikes. Strikes lasted a maximum of one day, and were mostly used as a mobilization exercise.

In 2013, a centre-left government was elected. Traditionally, the social-democratic party has stronger ties with trade unions and is more willing to participate in social dialogue. As an indicator of the TU satisfaction with the government policy, we have seen a radical decrease in the protest activities of the trade unions in education. The currently ongoing campaign of the trade unions "The end of cheap teachers" was supported by the Ministry of Education.

**Table 10 Government colour and TU protest activities**

	Campaign	Demonstration	Happening	Petition	Strike alert	Strike	Government	Character of the protests
2007	1	1	1		1	1	Government of Mirek Topolánek (ODS)	Against budget cuts, "arrogance" of the government
2008		1		1	1	1		Against education with no money – budget cuts
2009	1			1				Against worsening working conditions of teachers
2010						1	Government of Petr Nečas (ODS)	One day protest of employees in budget organizations

2011							Government of Bohuslav Sobotka (ČSSD)	Against changes in the wage tariffs that could cause higher volatility in wages
2012	1			1				Against austerity measures (mostly budget cuts)
2013								Provisional government, no protest activity
2014							Government of Bohuslav Sobotka (ČSSD)	Campaign “End of cheap teachers” referring to TU effort to increase wages in the sector. Supported by Minister for education
2015	1							
2016								
2017						1		

Source: Own compilation based on the reports of activities of trade union in the education sector.

## 2.5 The role of industrial relations in shaping the sector

The role of industrial relations in shaping the sector might be characterized as a constant battle for higher wages, as all social partners have articulated the need for wage increases. Other issues, i.e., the working conditions of different occupations – from directors to non-pedagogical workers are also prominent in their claims. The quality of education is something that has interested the Ministry of Education in recent years, mostly because of the effort to control students’ outcomes at the national level. This is provided through the unified entrance examination of primary school graduates. We discuss the issues of working conditions, wages and quality of education in the following pages.

### 2.5.1 Social partners on financing and wages in primary education

Social partners agree that low wages are the most striking problem in education. They consider both teachers’ and non-teachers’ wages inadequate. However, while all partners agree that the budget is insufficient to adequately remunerate employees in the primary education sector, their opinions diverge over ways on how to improve the situation. While trade unions’ effort is directed at fixing wage increases through tariffs, the directors’ association wants budget increases without the tariff increases, leaving directors at the school level to decide who should receive a higher wage. As they claim, directors have very limited means to appreciate good and active teachers and therefore the margin of flexible wage should be increased. Trade unions are aiming for tariff wage increases to avoid unjustified wage differences at the workplace.

Social partners have proposed several ways to address low wages in the sector. First, it was the actual budget increase through both, fixed and flexible wages. Then, social partners suggested a change in the tariff classification for senior teachers, by adding the sixth wage tariff for those having 32 or more years of. Before, 27 years in education was the maximum length for seniority in tariffs. “If a teacher finished his/her education at 25, at 52 years old there was no wage

increase based on seniority. We also proposed the new tariff level with regard to increasing age threshold for retirement,” explained the president of the ČMOS PŠ in 2017<sup>7</sup>.

In the case of non-pedagogical workers and for employees with minimum years of experience, tariff wages of the lowest degrees do not even reach the minimum wage level. In practice, these workers receive minimum wage through extra payments to the tariff wage; however, trade unions do not consider this solution satisfactory and aim to narrow tariffs to the minimum wage level.

Proposed wage increases and actual results between 2015 and 2017 are in Table 11. The Table suggests that the trade union was able to address the demands under the government led by the social democrats. In this period, wages rose by almost 20 per cent. Wage increases in 2015 were, however, much lower compared to wage increases in 2017 (3.3 per cent in 2015 to 15 per cent in 2017), and is attributed to economic and political factors. As mentioned in the previous part, “the ruling government from 2013 to 2017 was quite open and willing to facilitate social dialogue than the center-right wing governments from the previous years. Therefore, ministers in 2015 even surpassed the trade union demand on wage increases (the trade union proposed 3 per cent and the actual increase was 3.3 per cent – see Table 11). In 2017, the trade union ČMOS PŠ demanded a much higher amount together with the trade union in the university education VOŠ, a 15 per cent increase and called a strike alert to support this claim. In the context of the upcoming government elections in October 2017, the government supported trade unions and fulfilled their demands in September 2017. Another circumstance that helped trade unions to reach such satisfactory results was the economic situation. The labour market is now experiencing a labour shortage and the public sector thus needs to increase wages to keep the pace with the rest of the economy.

**Table 11 Trade union (ČMOS PŠ) demands and actual results in last 3 years**

Year	Demand	Result
<b>2015</b>	Increase wages by at least 3 percent from November 2015	Teacher’s wages increased by 3.3 % in tariffs and for non-teachers by 3%
	Adding a wage level in the tariff system for teachers with 32 and more years of experience	Added 6th degree for workers with 32 and more years of experience
	Increasing employer’s contributions to fond on social and cultural activities from 1.5 per cent of wages to 2 per cent	Approved from 2016
	Abolish practices of 10 month contracts for teachers, leaving them 2 month in the summer without job	Act on pedagogical workers changed such that minimum length of the contract for teachers is 12 months.
<b>2016</b>	Introduction of campaign #endofcheapteachers (#KonecLevnychUcitelu) demanding at	Increase in tariff wages for teachers by 6 per cent in average and by 4 per cent for non-teachers

<sup>7</sup><https://zpravy.aktualne.cz/domaci/zkuseni-ucitele-dostanou-pridano-tarifni-plat-se-jim-zvedne/r~f410ac9a773711e5974b0025900fea04/>

	least 10% increase in 2016	in 2016
	Campaign #endofcheapteachers (#KonecLevnýchUчителu) demanding at least 10% increase in 2017	Wage increases of 8 per cent and 6 per cent for teachers and non-teachers respectively from September 2016. Discussion on wage increase by 9.4 % for non-teachers in 2017.
	Demands on non-teaching staff Upgrade cooks to higher class and work class specification for nursemaids	Ministry of Labour discussed the proposal
<b>2017</b>	Campaign #endofcheapteachers (#KonecLevnýchUчителu) demanding at least 15% increase in 2018	After strike alert in September 2017 wages increased by 15 % from November 2017

Source: ČMOS PŠ, 2016 and 2017 <http://skolskeodbory.cz/soubory/aktivity-cmos-ps-2016-2017>

Social partners further criticized the system of the per capita financing that has been changed recently and its actual implementation is planned for 2019. Although it is not primarily aimed at the wage increase, this change was supported by all social partners. In general it is expected, that previous drawbacks of the per capita financing will diminish, such as complicated managerial decisions on the salary of the particular teacher, based on the number of students that was volatile throughout the year (EDU2, 2017). Trade unions welcome the change but expect some implementation problems (EDU1, 2016), yet municipalities, in some cases, have not yet studied the change and are waiting on the actual implementation to see how it works. (MUN1 2017). Hand in hand with this proposal, a new career code was supposed to contribute to wage increases, however has not yet been approved in the Senate and its implementation is being postponed.

During the crisis, wage cuts described in section 2.3.3, were banned by all social partners, including SMO ČR, the association of directors and the trade unions (ČMOS PŠ and VOS). The main argument has been the already low wages in the sector decreased deliberately in 2007. In the crisis period, social dialogue eroded and trade unions embarked on demonstrations and strikes (see Table 10).

### **Working conditions**

Since collective bargaining in the sector does not exist, trade union ČMOS PŠ have mostly attempted to improve the situation of teachers through legislative changes. One example was signing the contract of definite duration for the 10 months, while during the 2 months of summer holidays, teachers appeared unemployed. This practice led to the amendment of the School act that now limits the teachers' full-time contract of definite duration to a minimum 12 months (EDU1 2016).

Another issue that social partners addressed was the compulsory teaching activities of primary school directors. This has been in the directors' association agenda since 2015 as the directors' teaching duties were too demanding given the other responsibilities they possessed (EDU2

2017). In 2016, the extent of the teaching activities for primary school directors was reduced from 5 to 1 hour weekly depending on the school size and the number of students<sup>8</sup>.

## 2.5.2 Social partners on the quality of primary education

In our interviews, social partners have not identified any reform that has improved the quality of working conditions or the quality of service provided. The curriculum reform and the currently ongoing inclusion reform amplified the teachers' work load while the absence of the career code and the missing life-long education schemes further dismantled the education system performance. Unsurprisingly, a qualified and well-remunerated teacher is accented by all social partners as essential for excellent education outcomes but their power to influence the system setting is rather limited. We summarized social partners' views on reforms impacts on working conditions and on the quality of service in Table 12.

**Table 12 Social partner's views on the impact of reforms on working conditions and quality of service**

Year	Reform	Effect on working conditions	Social partners' position	Effect on quality of services
1992 - 2017	Per capita (per student) financing	Limited financial resources in the case of students' inflow/outflow during the school year	No incentives on quality of education outcomes	Financial decentralisation  Pressures to increase number of students
2001	Public Administration reform – decentralization	Wage levels and budget determined by the government  Role of regions and municipalities weak in terms of wage levels and working conditions	Possible politization of the school directors  Municipalities should ensure only “heating and lighting”	Positive impact of school self-governance
2007	Curriculum reform (School education programme)	Lack of skills to prepare the high quality school program  Increased workload for teachers	Ambitious, with insufficient support from the state  Contributed to “atomization” of the primary education	School education programs diverged – some very innovative, some just copied the previously used education program
2015 and 2016	The introduction of unified entrance exams to the secondary schools		Social partners question whether results can be an indicator for quality of schools and teachers	Effort to converge primary schools' outcomes
2016	Reform on inclusive education	Increased workload for the teachers	Social partners opposed the reform	Problems in the education processes (teachers' multitasking)
2017	Reform of financing (per class model)	Intended to stabilize financing  No improvements of wages through the reform	Expected to improve the stability of financing  Concerns about sufficient financial resources	Not implemented yet
	Career code – not implemented in 11/2017	Intended to improve motivation for life-long learning	Intended to improve working conditions and wages	Continuous education should have positive impact on the

<sup>8</sup><http://www.atre.cz/zakony/page0668.htm>

Source: Our own compilation

## 2.6 Conclusions

Industrial relations in the education sector are marked by the absence of collective bargaining at the sector level which remain the main constrain of job quality improvement. Working conditions are guided by the Labour Code and other legal documents such as the School Act or government's decree that defines wage tariffs in the sector. The social partners' role in influencing working conditions is channelled through social dialogue or protest activities. Social dialogue is facilitated mostly through the tripartite consultations, and through participation on the amendment procedure of legislation and/or through participation in commissions and councils at the national or regional level.

All interviewed representatives considered the dialogue with the Ministry of Education and with the government the most important channel for influencing working conditions in the sector. In addition, protest activities appeared to be another way how social partners, especially trade unions, address their demands. In the last 15 years the protest activities had the symbolic character of strike alerts, campaigns, or petitions which demonstrated the trade unions organizational power; nevertheless, their membership base has been continuously decreasing mostly because of the lack of transparency and ageing of its members. Social partners' success thus often depends on the allied parties that form the government.

Education reforms introduced in the 1990s and 2000s lacked a conceptual approach, and contributed to the deterioration of working conditions especially in the workload increase and wage stagnation. The NPM principles were introduced in the financing mechanisms based on the number of students enrolled to the particular school but as it was discussed in this chapter, the effect of this mechanism was inverse, and did not contribute to the quality upgrade. Currently, proposed reform of financing that abandons the per capita principle is perceived by the social partners as possible relief from the decreasing quality of the education outcomes and also the way how to improve working conditions.

The reason education was sheltered from the austerity measures during the crisis was twofold. First, the wage decrease was politically unfeasible while the temporary reduction of investments and non-tariff wages was acceptable to social partners and to the government. Second, since the Czech economy after the crisis recovered quickly, additional measures and deeper reforms in the terms of financial cuts were not introduced. In the following period, reforms rather tackled changes in the system of financing with aim to provide incentives for better performance of primary education.

The issue of quality of the service is discussed only in recent years with rather limited outcomes. One of the reasons is the general satisfaction of the parents with the education system and education outcomes. Much less attention is paid to students attitudes to the education system. Ministry of Education introduced in recent years schemes for common standards in testing the primary school graduates, in order to narrow diverging primary schools outcomes.

The primary education sector is highly feminized; however social partners do not address the issue of the gender pay gap in the sector and in the economy in general. Undoubtedly, education suffers from teachers' aging as young graduates do not undertake the demanding and unsatisfactory paid teaching positions in education. Social partners perceive the solution in wage increases and changes in the system of mentoring of young teachers, however the necessary framework for the improvement is still missing.

### **3 Industrial relations and their role in shaping the public sector: Municipalities – pre-primary education**

Public administration at the local level, represented by the municipalities and regions underwent major reform in 2002 when local state administration offices were cancelled, and competences decentralization to municipalities and regions was introduced. The main purpose of the reform was to depoliticize the local structures (Nemec 2010). Since then, only minor changes in terms of duties and financing were introduced.

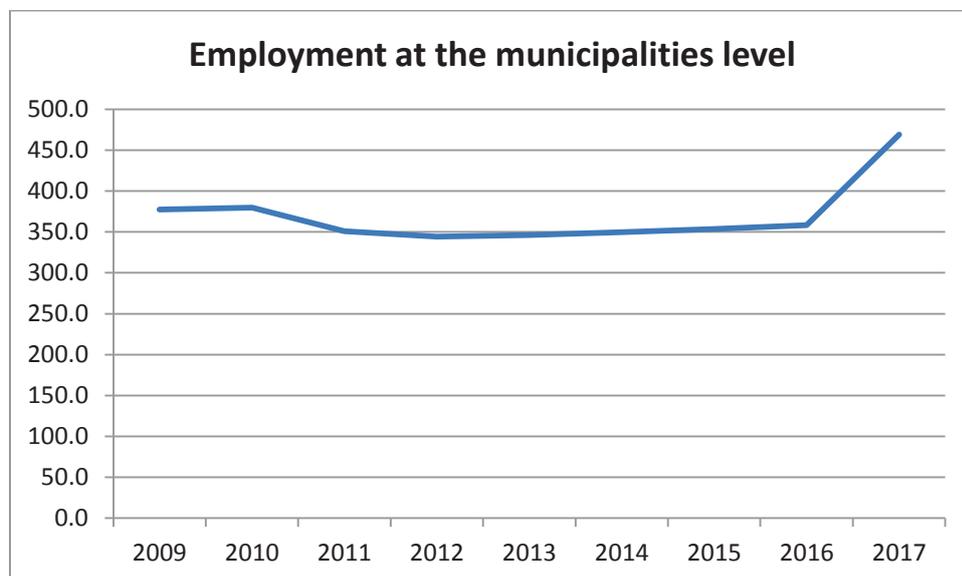
Municipalities employ two types of employees, one group consists of those paid by the central government who perform tasks related to the central government duties (delegated duties), and another group are employees of the municipalities that perform tasks in the autonomous competence of the local government. While the first group has salaries dependent on the wage tariffs decided by the government, the second has salaries defined by the municipality, however based on the centrally set tariffs for public administration employees. During the crisis, employees of the first group experienced direct wage cuts of 10 per cent in 2010 imposed by the central government, while the wages of the second group were dependent on the decision and financial situation of the particular municipality. As a consequence, wages slightly decreased simultaneously with a mild decrease in employment in 2011 (

Figure 6). However, the wage changes were unevenly spread between municipalities because the reform of financing municipalities from 2013 changed the revenue redistribution per inhabitant between the small, medium and big municipalities. The reform meant the increase in revenues for medium sized municipalities at the expense of small and big municipalities. The reform was introduced in the post-crisis period and was intentionally designed to narrow decreased revenues from the crisis measures (LOC2 2015).

In the 2<sup>nd</sup> quarter of 2017, the number of employees in the municipalities increased by 30 per cent to 469 ths. compared to previous year (see

Figure 6). This increase is attributed to economic recovery and recruitment of the workers back into the municipal offices and education facilities (pre-primary schools and primary schools specifically) and partially caused by the creation of the temporary employment related to the European structural funds projects. Those projects are among others aimed to increase the pre-primary education capacities, increase employment in the assistance programmes of pupils with special needs and also to capital investment activities.

Figure 6 Employment at the municipalities' level



Source: CZSO, 2017

In this chapter we further devote our attention to the pre-primary education. As none of the segments in the municipalities' governance has undergone significant changes in the post-crisis period, we concentrate on the sector that experienced problems in the terms of quality of employment and also in the terms of quality of service as well

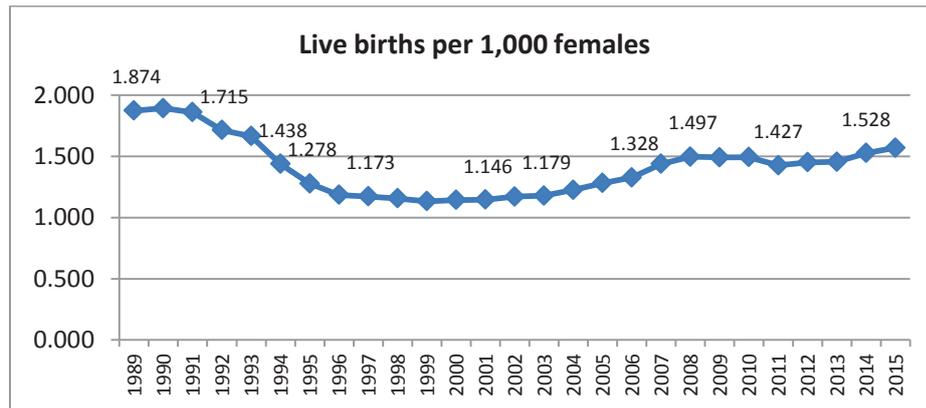
### 3.1 An overview of the sector

Similarly to the primary education described in previous chapter, the pre-primary education is one of responsibilities municipalities received based on the Act on education and Act on municipalities in 2002 and pre-primary education has the same financing and organizational system as the primary schools and consequently, reforms in primary education often applies to the pre-primary education. Despite similarities, pre-schools are more often subject of the municipal policies and decisions, in the terms of capacities creation and reduction which affects both, the working conditions and the quality of service.

Pre-primary education in Czechia is reduced to education from 3 to 6 year old children and as a consequence, Czechia has currently only 10 per cent a participation rate of children younger three years in the pre-primary education (Eurydice 2014). The reason is that the state parental support system provides incentives for parents (in majority cases mothers) to raise the child for up to three years at home, with one of the parents being out of the labour market. As a consequence, the women labour market participation younger 35 years is one of the lowest in the EU. However, in recent years, more and more women have been shortening their home care and are searching for ways to return to work earlier (Kalíšková 2012). This goes hand-in-hand with the change in acceptance threshold of children younger than 3 years, especially in smaller cities and remote regions where capacities allow for it. At the same time, in 2017 compulsory pre-

school education for children 5 and 6 year old was introduced which further creates pressures on sufficient capacities in the kindergartens. In the last 15 years, the quality of the pre-primary education suffered because of the radical decrease in capacities which was related to the natality rates changes. At the beginning of the 2000s, many pre-schools became redundant given the radical decrease in birth rates in the 1990s. The majority of municipalities decided to close these facilities without any preview in near future that had brought increase in birth rates again (see Figure 7).

Figure 7 Birth rate in Czechia

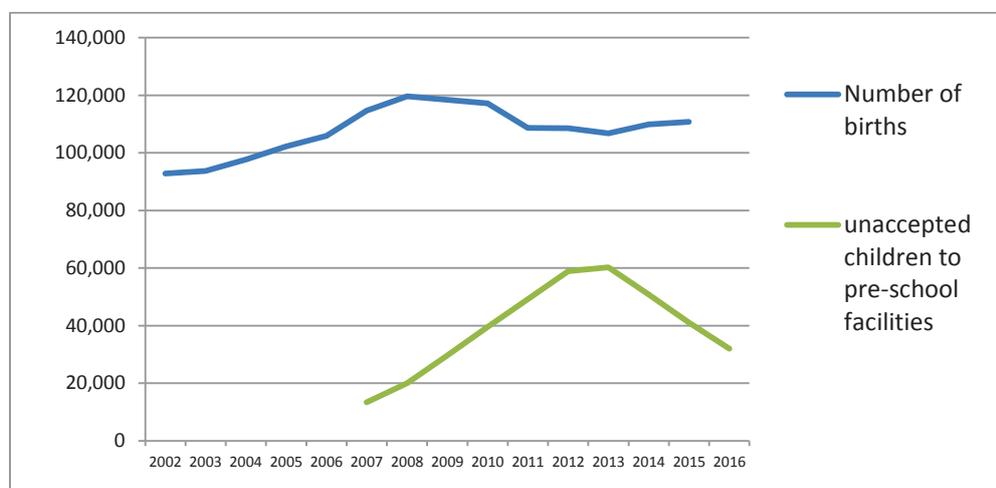


Source: CZSO, 2016

Already at the beginning of the 2000s, we observe the increase in the birth rates while at the same time we see the closure of pre-schools (see Figure 9). This has led to the increased number of the children that were not accepted to the pre-school facilities because of the lacking capacities. Obviously, municipalities did not anticipate the demand for the pre-school facilities based on the birth rates. While in the school year 2007/2008, kindergartens were not able to accept 13 ths. children, 6 years later, it was 60 thousands of unaccepted children (see

Figure 8)

Figure 8 The number of births and the number of children not accepted into pre-primary education

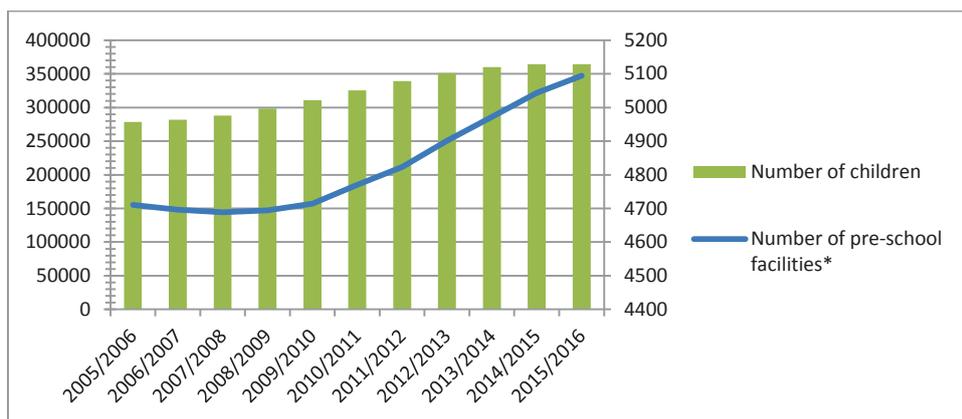


Source: MSMT on unaccepted children, CSO on births

Moreover, the low capacity of the pre-school facilities often meant women had to stay at home the additional year instead of going back to work. Munich et al (2016) argue that sufficient capacities in the pre-school facilities would be profitable for the government, while the lack of capacities means direct losses in the public finance. The expected direct profit of one child placed into the kindergarten is almost 400 EUR per year, if both parents could work (Munich et al 2016). Given the 30 thousand unplaced children, the capacities increase would have significant positive impact on the public finance. It is further predicted that birth rates will continue to decrease<sup>9</sup> and thus, child care facilities will become more available. Nevertheless, this won't be true for the big cities such as Prague, Brno and Ostrava where local governments will continue to face the increasing demand for the pre-primary education (Munich et al 2016, Soukup 2016).

Figure 9 Number of children in pre-primary facilities and number of pre-schools

<sup>9</sup>By 17 to 22 per cent by 2030 (Eurydice 2014)

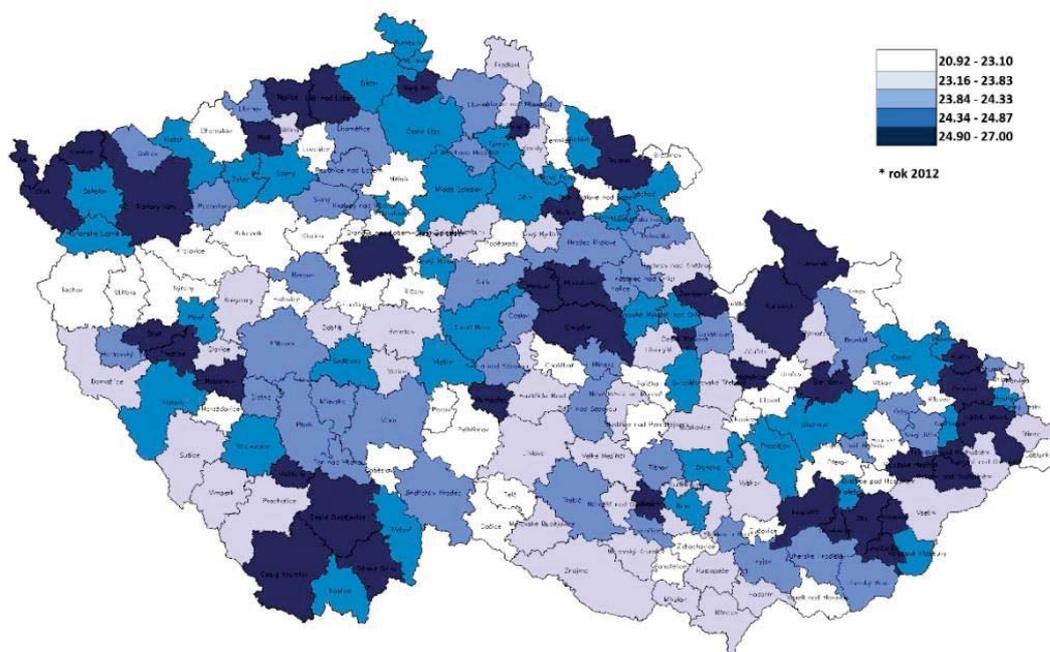


Source: MŠMT, left axis depicts number of pre-school facilities, left axis number of children

As suggested above, the kindergartens' capacities are regionally diversified, when larger cities have difficulties to place children in their facilities while the pre-schools in some rural areas strive to survive (see Figure 10).

Figure 10 Average number of children per class in 2012

### Průměrný počet dětí ve třídě MŠ



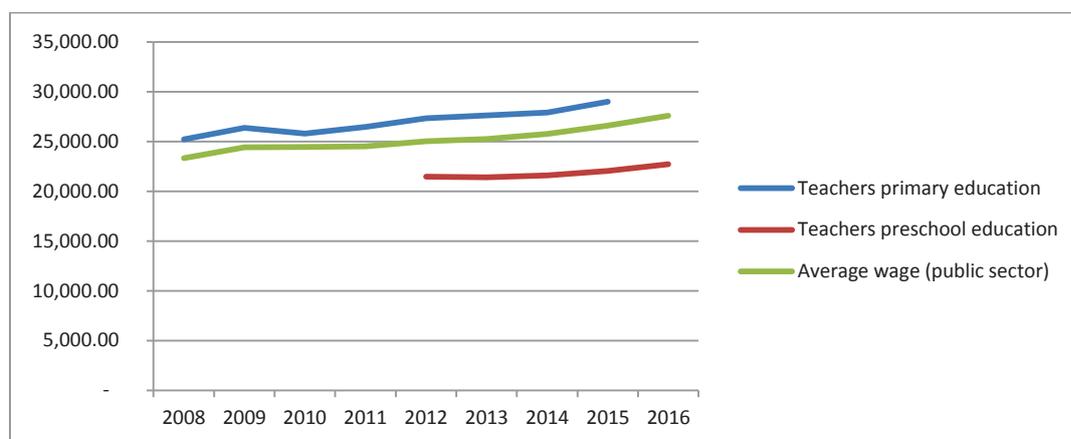
Source: SMO (benchmarking) <http://www.smocr.cz/obcesobe/benchmarking/index.html>

## 3.2 Wages and employment structure

Pre-primary education teachers have the lowest wages in the education sector, 30 per cent lower compared to primary school teachers and even lower than is the average in the public sector (see Figure 11). Remuneration is not adequate given the workload and responsibility, but also the

education level attained. Even though, the education requirement did not change and is still the secondary education degree, the majority of young teachers graduated with a university degree.

Figure 11 Average wage in pre-primary education (in CZK)

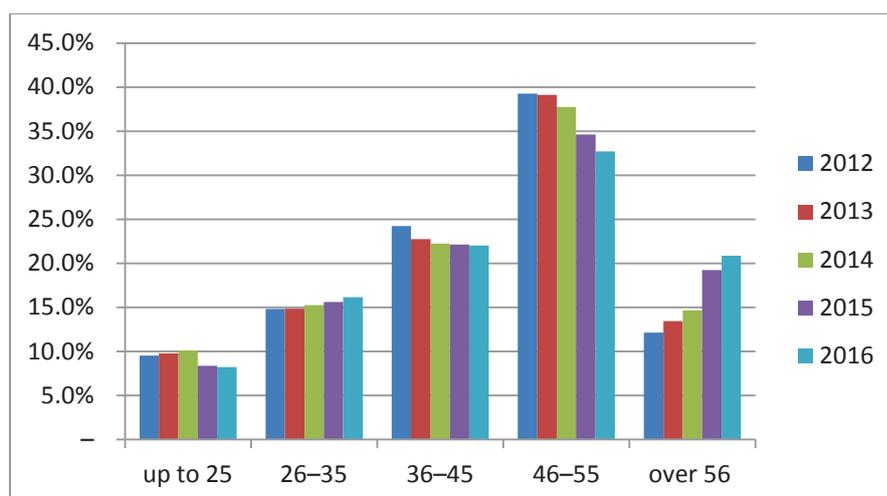


Source: MŠMT, 2016

The maximum capacity of the class is 24 children; in special cases it might be extended to 28 children. Even in the case of bigger classes, there is still only one teacher present most of the day. As trade union representative claims in this setting, the children's safety might suffer (EDU3 2017). In addition, given the pre-primary teachers ageing, the situation is starting to be unbearable. From 2017, the Ministry of Education imposed the obligation to the pre-school facilities to secure the 2.5 hours of simultaneous presence of the two teachers during the day, with aim to increase the quality of service. However, no adequate finances were allocated to satisfy this requirement (LOC1 2017).

Pre-primary education is a heavily feminized sector, where the 99 per cent of teachers are women (MSMT 2016). Moreover, pre-primary teachers are ageing which is connected to the issue of low wages since the sector does not attract young people. In the last 5 years, the share of teachers over 56 increased rapidly and now constitutes more than 20 per cent of the total workforce in the sector (see Figure 12). In contrast, the number of young people up to 25 years even decreased and their presence in the sectoral workforce is below 10 per cent.

Figure 12 Age structure of teachers in nursery schools



Source: MSMT, 2016

### 3.3 Reforms in the sector

All of the reforms mentioned in the section on primary education also concerned pre-school facilities, including transferring competences to municipalities in 2002, curriculum reform in 2007 and the currently proposed changes of financing starting in 2019. As a TU representative claims, pressures on the high number of the children in one class should be mitigated by the new financing system per class and hours thought.

Policy reforms specific for the pre-primary education have been introduced recently. In an effort to create more capacities, the Ministry of Education introduced several options, how to make childcare available. Despite the new measure has introduced the possibility to establish a child group or micro nursery group that would allow municipalities, companies or NGOs to create missing capacities for children younger than three years, this won't address the problem with the quality of working conditions and the quality of service provided. The reason is that the remuneration in these newly established facilities won't be regulated by the government's order, as it is in the case of teachers in the kindergartens run by municipalities, nor the education requirement on the staff is retained and instead it is reduced to the requalification course of 220 hours. Therefore, the capacities creation won't necessarily aim at the improvement of the public service provided.

Since 2017, the pre-primary education became compulsory for the 6 year old children to ensure the smoother transition to primary education. To satisfy the demand for the pre-school facilities, the Ministry of Education also decided that by 2022, there should be enough capacities for 2 year old children in the kindergartens. This would again mean a higher workload for the teachers, as care for 2 year olds is significantly different from the care of 3 year old children (EDU3 2017).

### 3.4 The role of industrial relations in shaping the sector

When looking into the pre-primary education sector, relevant social partners at the establishment level are the trade unions and the director of the pre-school facility while the municipality representatives do not participate on the social dialogue. Therefore the only collective bargaining possible is at the establishment level, but as TU representative said, this is rather rare given the

small size of the kindergartens which has approximately 10-15 employees (EDU3 2017). Moreover, wages are not the subject of collective bargaining and only small additional benefits can be bargained collectively.

### **3.4.1 Social partners on financing and wages in pre-primary education**

The bargaining over the wages is done at the government level, similarly to the primary education domain. Trade unions thus aim to wage increases at the Tripartite council or in the dialogue with the Ministry of Education which was also the case of the 9.7 per cent wage increases in 2017 when the increase was achieved through the cancellation of the lowest tariff degree and a move up of all employees by one tariff degree up. However, the wage increase was not steep enough to attract more employees to the sector and as a consequence the pre-primary facilities continue to struggle with the labour shortage.

A recent reform of per-class financing is supposed to be implemented from 2018 and is perceived as possible relief from the financial instability and also from the overcrowded classes that schools are facing now. However, the trade unions raised a concerns about the satisfactory financial resources for the prepared reform and expect only little relief from the problems education sector suffers now.

Regarding the crisis measures in the pre-primary education sector, no specific measures nor the competences and financial flows reforms, have been implemented in this period. Education, as described in the previous chapter, was sheltered from the austerity wage cuts, which includes also pre-school education subsector.

### **3.4.2 Social partners on the quality of pre-primary education**

A municipality may decide on the maximum capacity of the class. According to the law, the maximum is 24 children in the class, on the exception it might be maximum 28. Such a crowded class full of children up to 6 years is considered too much and lower number, around 20 children per class is considered optimal (EDU3 2017). On the other hand, for the municipality, this is mostly an issue of politics. If the political representation wants to satisfy parents' demand, it opts for the high number of children in the class. Municipalities, especially in the big cities where the demand is high, are trying to offer as many capacities as possible, and as a consequence, it might harm the quality of the service provided.

The role of the state, guided through the Ministry of Education, is prominent in this setting. It approves capacities, controls the financing system and transfers financial resources on wages in the pre-primary education. The Ministry push for the quality improvements in the terms of teacher-children ratio and since September 2017 at least 2.5 hour slot of the two teachers being present in the class was introduced. Trade union representatives perceive the Ministry as an important actor that regulates finances, the quality of employment and criticizes the absence of the sector collective bargaining in education (EDU3 2017). Nevertheless, the protest actions of the trade unions in the pre-primary education are rare. More likely, kindergartens perceive themselves being closer to the primary schools policies. Indeed, with the upcoming compulsory class in the kindergarten, that precedes pre-primary schools will become part of the education system

Parents obviously do not emphasize the issue of the quality of education or the issue of the class size. In bigger cities where the problem of missing capacities is much acute, parents may decide on private kindergarten with smaller classes, however in such facilities no regulation on staff education requirements are imposed. Moreover, the price for the private kindergarten is much higher than in the public sector, therefore many parents opt for the kindergartens run by the municipalities regardless their overcrowded capacities.

Moreover, the quality of education at the kindergartens is not evaluated. The only stakeholders that may possess some competences in evaluating the quality are parents themselves but their means to show the dissatisfaction are limited.

### **3.5 Case study**

To illustrate how municipalities and government influence employment conditions and the quality of service, we take the example of municipality in the Prague district no. 7. Needless to say, we also illustrate that in this case, social partners have marginal role in setting working conditions at the local level.

Prague 7 is one of the smaller Prague districts with 43,000 inhabitants. In the past 10 years, the number of inhabitants increased by 2,500 persons and further increase is expected. The share of people in age from 25 to 40 is growing, which increases the birth rate expectations. According to the prognosis, by 2020 municipality will need more than 400 new additional places in the kindergartens additionally to the current 1,064 places (Soukup 2016). Moreover, by 2022 pre-schools should have capacities to accept 2-years old children as suggested by the Ministry of Education<sup>10</sup> which even increases the number of place municipality is expected to provide. As a representative of Prague 7 claims, municipalities were not consulted with this proposal and now have to find missing capacities without appropriate resources (LOC1 2017).

In this situation, the role of the municipality is to ensure the service and in the case of unsatisfactory personal capacities, also find resources. Currently, to improve the provided service, Prague 7 pays from its own budget one full-time employee in the kindergarten where several 2-years old children were accepted. As known, these small children require much intensive care than older children. Social dialogue for the pre-school facilities is not hold, municipality representative is not aware of the presence of the trade union in the kindergartens in this district. The crisis measures that would tackle the pre-school facilities were not imposed in this municipality.

### **3.6 Conclusions**

In the sector of the pre-primary education social dialogue plays an even more negligible role than in the primary education. Social dialogue at the establishment level is possible but rarely present. Social partners thus address their demands to the national level and confirm that dialogue with the Ministry of Education is crucial for influencing working conditions in the sector.

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<sup>10</sup>Prague district is of course in the contrast to other regions in Czechia which struggle with population decrease. For this reason, in Prague or other big cities, it is rather rare to have child under three placed in the kindergarten run by the municipality. In other regions, 2-years old children are regularly accepted.

The sector suffers from low wages, ageing and increasing workload. Similarly to the primary education, wages are defined by the government's decree and working conditions are guided by the Labour Code and the School Act. This is the reason why social partners address mostly the Ministry of Education and the government to improve working conditions. At the same time, it is highly feminized sector with low share of young teachers and high presence of the flexible working contracts. because the system of financing based on the number of children applied requires lower than full time contracts, if number of children decrease in the particular class.

Majority of the reforms related to the primary education were applied on the pre-primary education as well. As a consequence, pre-primary education suffers from atomization of competences and outcomes, similarly to the primary education subsector. Each kindergarten is supposed to create its own education program; the director of the school is at the same time the employer who is appointed by the municipality. Each municipality may influence the quality of service through determining the number of children per class and the number of staff per children which leads to heterogeneous outcomes throughout the country. The quality of education is also influenced by the decisions of the Ministry of Education that decides about maximum capacities per class, provides incentives to accept 2 years old children and provides financial resources on personal and investment costs. Our case study showed that ministry often omit the consultation with municipalities and/or social partners when proposing the changes.

The trade union representing the pre-school employees is an integral part of the trade union in education sector (ČMOS PŠ). The union addresses working conditions and quality of jobs in the sector to the central level government, although it does not emphasize the specificities of working conditions in the pre-primary education. No protest actions, or campaigns related to the pre-primary education and its working conditions have been launched until now. This might be related to the low organizational capacities of the trade unions in the kindergartens. In the terms of wage increases, those are addressed through the tariffs set by the central government. Both, municipalities and trade union meet in their requests to wage raise and their working conditions are regulated by the legislation.

## **4 Industrial relations and their role in shaping the public sector: Hospitals**

### **4.1 An overview of the sector**

Healthcare sector in Czechia, similarly to education, is characterized by the unfinished and non-conceptual reforms (Eurofound 2011). According to the source of financing, hospitals are public and private. Public institutions are owned by the state, regional authorities or municipalities. State hospitals are mostly faculty type hospitals, providing treatment and education. Private hospitals are majority of the hospitals in the municipalities and regions. To the group of private hospitals, we count also corporatized hospitals where public sector authorities are stakeholders together with private stakeholders. Financing of the hospitals is based on the universal compulsory insurance system. Hospitals' income is from 83 per cent dependent on the payments from the

compulsory insurance system. In 2016, the total public expenditures on healthcare were 10 billion EUR (UZIS 2017).

The total number of workers in healthcare (employees on payroll, employers and contract workers) was 247,753 by the end of 2016 and this number did not substantially change in recent years. Out of this number, 15 per cent are medical doctors and 43 per cent nurses (UZIS 2017). According to the Czech Health Statistic Yearbook 2017 which is published by the Institute of Health Information and Statistics of the Czech Republic (UZIS), almost 97 per cent of all workers were employees on payroll and employers.

The number of employees in hospitals was 123,722 in 2016 of which 18 per cent were the medical doctors. Contract workers, those having with the hospital other than employment contract (work agreement, or business contract) constitute minority, around 3,342 of all employees of which 1/3 are the medical doctors.

**Table 13** Number of employees in healthcare sector (includes also hospital workers)

Category	Employees on payroll and employers (full time equivalent)		
	Total	by founder	
		Ministry of Health	Region
<b>Total</b>	247 753,63	59 851,41	62 873,60
Professional health personnel	205 764,38	47 223,43	51 399,22
Category	Contract workers (full time equivalent)		
	Total	by founder	
		Ministry of Health	Region
<b>Total</b>	8 648,15	887,48	2 578,38
Professional health personnel	6 955,18	454,19	2 340,34

Source: UZIS, 2017

## 4.2 Wages and employment structure

The employees' remuneration differs based on the status of the healthcare provider. In the public institutions - established by the state, municipality, city, or other state organ, employees receive the salary regulated by the tariffs. In the private providers, employees receive wages that are not regulated by the government. The main difference is that the salaries of employees in the public providers are paid according to the valid salary regulation set by the central government, while employees receiving wage fall under the standard Labour Code regulation. In 2016, the 36.6 per cent of workers were paid according to the salary regulation which means that majority of workers in healthcare don't have their income regulated by the state and their wage is regulated only by the Law on minimum wage, or if signed, by a collective agreement. The average monthly salary and wage is presented in the Table 14. Salaries regulated by the government are considerably higher compared to non-regulated wages.

**Table 14** Average monthly salary and average monthly wage of healthcare workers in Czechia, in CZK

Year	Average monthly salary (public hospitals)			Average monthly wage (private hospitals)		
	Average	Medical doctor	Nurses	Average	Medical doctor	Nurses
2011	29,188	57,687	28,145	24,740	55,214	23,678

2012	30,403	61,078	29,150	25,439	55,957	23,567
2013	30,174	60,635	28,706	25,314	54,863	23,647
2014	31,865	61,393	29,322	26,476	55,068	24,434
2015	32,559	66,373	30,866	27,083	58,828	25,434
2016	34,765	69,311	32,755	29,046	61,426	27,056

Source: UZIS, 2017

The majority of the employees in healthcare have standard open ended contract, but they face an increased overtime work and high workload. Working conditions may differ, based on the status of their employer (private versus public hospitals) and by the presence of the trade unions at their workplace.

Healthcare is highly feminized sector, the four fifth of employees are women and among nurses we find 97.8 per cent of women (UZIS, 2014). Unfortunately, there is no data on wage differences among men and women, although we deduce high gender pay gap in the healthcare especially among the doctors<sup>11</sup>.

### 4.3 Reforms and working conditions

Czech hospitals underwent major reforms in the 1990s and 2000s. In healthcare, Czechia embarked on reforms in line with NPM that contained decentralization, corporatization and/or the privatization of hospitals (Kahancová, Martišková 2016). In 2003, healthcare decentralization reform was introduced. It aimed at transferring competences from the central level government to the local government. Municipalities and regions became regional healthcare providers which significantly extended their competences. Hospitals that did not underwent privatization faced corporatization, which meant transformation from the state budgetary organizations onto the shareholder companies mostly owned by the municipalities. This transformation stimulated private sector environment, despite their public ownership. Corporatized hospitals were in many cases privatized, since municipalities, especially in the small cities, were not able to run indebted hospitals.

This influenced the working conditions and wages. Private hospitals operate in the framework of the Labour Code, and there is no centralized wage setting regulations. In the public hospitals, salaries are defined by the government decree that specifies the salary levels. This contributes to the differences in wages and salaries in the hospitals sector. In 2012, the government also introduced exception in salary payments based on the tariffs through so called “contractual salary”, which was supposed to allow higher wage differences in the public hospitals, i.e. employees could be remunerated outside the scope of the tariff system. This measure was often misused when contractual salary was agreed at the lower level than the tariff salary. It was cancelled three years later by the centre-left wing government.

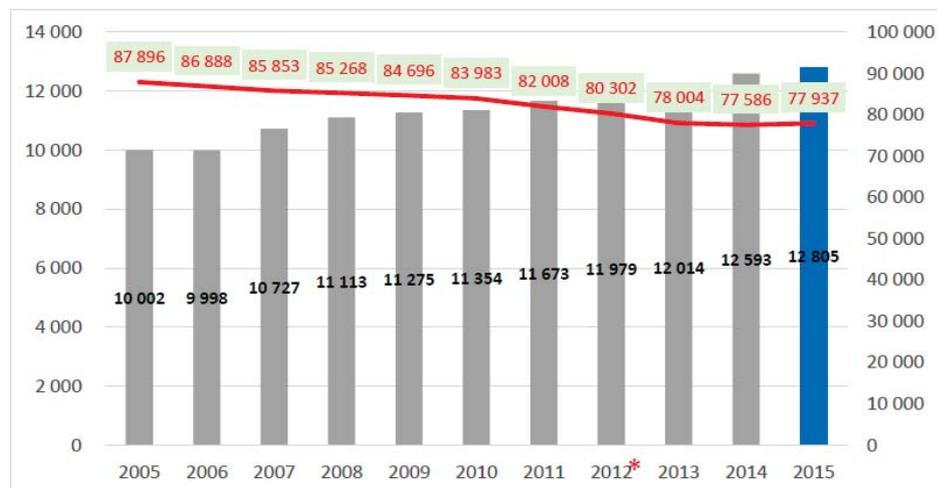
In 2008, regulatory fees for the doctors’ visit and medical prescription were introduced. This measure was supposed to reduce the number of patients’ visits to the optimal number and

<sup>11</sup>In 2016 regional court released decision of the suit of the female doctor who discovered that her male colleagues earn twice higher salary on the similar positions within one hospital. Court did not call this unjustified wage difference discriminatory, nevertheless, ombudsman proposed methodology how to appropriately uncover similar cases in the future, so that gender discrimination can be uncovered (idnes.cz, 2016).

increase revenues in the sector. Despite low contribution fee, low income groups, especially seniors, faced barriers in their access to healthcare. For this reason, measure became the matter of political and even ideological discussions. Central government led by the centre-right wing political representation introduced the fee while regional governments led by the social democrats in all regions except Prague, compensated patients and paid the fee from their own budget. The measure was cancelled in 2013 when social democrats formed the central level government. Other reforms that aimed on increased patients contributions were proposed but not introduced, for instance proposal on the standard services paid from compulsory insurance scheme and other above-standard healthcare services that should be paid by patients themselves. The reason of failure was the high complexity of the proposed change without the stakeholders and government support (Darmopilová and Špalek 2007).

Privatization, but also technical development and pressures on rationalization mirrored in the reduced number of beds in the Czech hospitals. While in 1994 there were 105,161 beds, in 2015 it was only 77,937 beds (see Figure 13). Interestingly, the number of doctors increased in the given period by 30 per cent. The reason is the expansion of one-day surgery and related decreased number of hospitalization days.

Figure 13 Number of beds and number of doctors



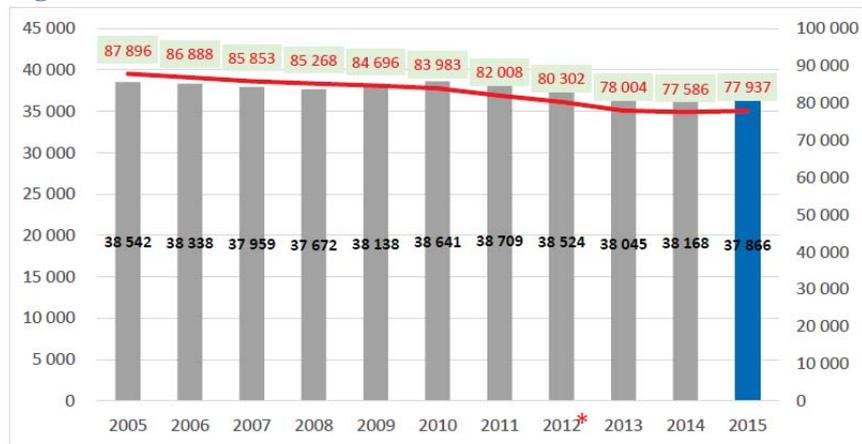
Source: UZIS 2016a (p.32). Left axis and columns depicts the number of doctors and right axis and line depicts the number of beds in the Czech hospitals.

In 2012, Act no. 99/2012 Coll. on healthcare services and the decree of the Ministry of Healthcare on minimum standards in equipment and personnel in healthcare providers was approved. It defines the minimum number of doctors, nurses and other staff per 30 beds considering the different specializations within the hospital care. No similar act was valid before and personnel capacities were guided by the Payment decree that defines payments per specific tasks that are paid by public insurance companies. After the decree approval on minimum standards, the ratio of the doctors per 30 beds improved from 4.47 doctors in 2012 to 4.93 in 2015 per 30 beds in hospitals (UZIS 2016a). This increase might be however attributed to the long term trend of reducing beds and increasing the number of the doctors.

The ratio of nurses per 30 beds improved as well, from 13.15 in 2005 to 14.57 in 2015. This is attributed to decrease in beds than to the nurses' increases in the hospitals (see

Figure 14).

**Figure 14** Numbered of beds and number of nurses



Source: UZIS 2016a (p.33). Left axis and column depicts the number of nurses and right axis and line depicts the number of beds in the Czech hospitals.

As in the other public sector domains, Czech healthcare sector remained sheltered from the crisis. Wage cuts announced for the public sector employees at the first moment concerned also healthcare, but given already underfinanced staff and the doctors and nurses shortage, this plan was not feasible and all relevant institutions from the trade unions to the doctors' chamber rejected this proposal. Nevertheless, because of the increased unemployment level compulsory insurance payments decreased. The hospitals management was forced to introduce some costs saving measures which mirrored in the worsened working conditions. The most of the hospitals embarked on outsourcing, mostly cleaning and related services with questioned quality of service. Moreover, overtime work increased and became the central issue for the social partners, together with the wage levels.

Overtime work was identified as the main form of precariousness in the sector (Martišková, Sedláková 2016). Medical staff is often exposed to high workload with high overtime work, that in some cases exceed the 1000 hours of overtime work per year, far above the Labour Code regulation. Common employers' practice was to give them a second contract of a lower scale, which would reduce their labour costs. Hence, nurses had to sign an additional contract, usually for a position of medical assistant that requires lower qualification and receives lower salary/wage, but were expected to perform the work that was equal to those of nurses.

#### 4.4 Industrial relations in the healthcare sector

The sector social dialog has only consultative and informative nature and collective bargaining does not exist in healthcare, similarly to other public sector domains. The several organizations of the trade unions and employers exist, but these do not bargain collectively at the sector level. Their attention is more focused either on tripartite dialog and lobbying for legal changes, or on the protest activities. At the establishment level, collective agreements are concluded. Coverage by the company level collective agreements in the sector reaches 74 per cent (Martišková,

Sedláková 2016). Industrial action at the individual hospitals is rare, mostly collective actions throughout the sector and occupations occur.

### Social partners

The biggest trade union organization is the Trade Union of the Health Service and Social Care of the Czech Republic (OSZSP) which represents the interests of nurses and social workers. The trade union that represents interests of medical doctors is the Medical Doctors Trade Union Club – the Union of the Czech Doctors (LOK-SCL).

On the employers' side, several associations operate in the sector, but rather in the position of interest groups of employers rather than social partners. For the list of employers' and trade union organizations see Table 15.

**Table 15** Industrial relations in the healthcare sector

Trade union	The Trade Union of the Health Service and Social Care of the Czech Republic – OSZSP ( <i>Odborový svaz zdravotnictví a sociální péče ČR</i> ) Professional and Trade Union of Medical Workers of Bohemia, Moravia and Silesia ( <i>Profesní odborová unie zdravotnických pracovníků Čech, Moravy a Slezska, POUZPČMS</i> ) Medical Doctors Trade Union Club – Union of Czech Doctors – LOK-SCL ( <i>Lékařský odborový klub – Svaz českých lékařů</i> )
Trade union density	22 % of OSZSP* 3.6% of LOK-SCL*
Association of employers	Association of Hospitals of the Czech Republic ( <i>Asociace nemocnic ČR</i> ) The Association of Czech and Moravian Hospitals – ACMN ( <i>Asociace českých a moravských nemocnic</i> ) Association of Regional Hospitals ( <i>Asociace krajských nemocnic</i> ) Union of Private Hospitals – SSN ČR ( <i>Sdružení soukromých nemocnic České republiky</i> ) Association of Social Service Providers of the Czech Republic ( <i>Asociace poskytovatelů sociálních služeb, APSSCR</i> ) Association of mental health care community services ( <i>Asociace komunitních služeb v oblasti péče o duševní zdraví, AKS</i> ) Association of Hospice and Palliative Care Providers ( <i>Asociace poskytovatelů hospicové paliativní péče, APHPP</i> )
Dominant bargaining level for collective agreements	only establishment level, wage increases through the government decree
Bargaining coverage in the sector	no sectoral CBAs (company-level CBAs: 74%)*

Source: Martišková, Sedláková, 2016

\* Eurofound (2009)

## 4.5 The role of industrial relations in shaping the sector

Labour shortages, overtime work and low wages are the main issues in the sector according to the social partners. In the last years, trade union organizations used mostly lobbying activities and protest actions to attract attention to the difficult situation in the healthcare sector, especially working conditions in hospitals. Occupations other than doctors suffer from very low wages, while among the doctors younger doctors receive the lowest wages and very often migrate to the west, especially to Germany. This is however, compensated by the migration of the students and doctors from Slovakia or Ukraine, therefore only specific occupations are missing, e.g.

practitioners or dentists (ÚZIS 2016) while nurses' shortage because of low wages is much more acute problem in hospital care. We further develop on those two themes and look on social partners' responses on financing and wages (4.5.1) and on the quality of service provided (4.5.2)

#### **4.5.1 Social partners on financing and wages in healthcare**

Overtime work has been increasing mostly in the post-crisis period. The overtime work above the level of the Labour Code regulation was legally conducted through the work agreements; form of the small job contract that allowed de facto legal increase of the overtime hours. Both, nurses and doctors in hospitals were exposed to the employers' practices of signing second contract in the form of work agreement. The main driver of this pressure was the lack of available workforce because of low wages. As employers' representatives confirmed, not using work agreement contracts to cover overtime work would mean the reduction of their services, which could have consequences on patients' access to healthcare (HEALTH3 2015). These overtime hours were often paid less than the normal contract.

The practice of signing the second contract was abolished in the public hospitals in 2012 on the pressure of the trade union organizations, but social partners claim that in some hospitals this is still used. In 2015, Medical Doctors Trade Union Club – Union of Czech Doctors (LOK-SCL), initiated a prohibition of the work agreements in the healthcare institutions directly financed by the state. However, as trade unionists and employers jointly state, not every employer follows this regulation. As a result, LOK-SCL complains that doctors still sign agreement contracts in addition to their general contract as a way of dealing with overtime work and do not understand that paid overtime is financially more attractive than any additional contract (Martišková and Sedláková 2016).

The low wages and unsatisfactory working conditions of doctors in hospitals were emphasised by the biggest protest action for better working conditions and higher wages organized by the doctors' trade union organization in the course of 2010 and 2011. Medical Doctors Trade Union Club – Union of Czech Doctors (LOK-SCL) managed to organize 3,837 doctors who signed resignation letters. This affected 78 out of 200 hospitals in Czechia. Campaign ended in 2011 when LOK-SCL signed memorandum about cooperation with the government. As a result, doctors managed to gain wage increases, but only in the public hospitals. Even though this innovative protest action meant wage increases for the doctors, other occupation groups, especially nurses were left behind (Martišková and Sedláková 2017).

The dual system of remuneration that contributes to the wage differences among the publicly owned and private/corporatized hospitals as described in the section 4.2., is also the reason why trade unions in the sector are trying to change the legislation in a way that all institutions operating within the public insurance financing scheme should fall under the salary regulation defined by the state (Koubková 2017). The vast majority of the private hospitals operate within the system of public insurance financing scheme. The main argument of the OSZSP is that the public scheme of health insurance does not differentiate payments for public and private hospitals; therefore there is no reason to offer different wages in different types of institutions based on the ownership. Employers from the private sector argue that market forces should lead wage setting in their case (HEALTH3 2015).

In the recent years, the trade union of Health Service and Social Care (OSZSP) managed to increase tariff wages of nurses and technical employees in healthcare by 34 per cent between 2014 and 2018 (see again Table 14). Nevertheless, their long term goal to unify salaries and wages of employees in the public and private hospitals has not been reached yet.

#### **4.5.2 Social partners on the quality of healthcare service**

Czechia suffered from the labour shortage in the healthcare sector for long time and crisis even enhanced this problem. It was also the reason why no austerity measures, such as the budget cuts, were introduced in the sector, although at the first stage they were proposed. Currently, because of the shortage of nurses, some hospitals were forced to close whole departments. According to the recent estimates, hospitals lack around 3000 nurses and 1000 doctors. Around 10 per cent of doctors and 8 per cent of nurses are foreigners (idnes, 2015).

Social partners talk about the personnel crisis in the healthcare sector. The central level government is trying to solve the situation by increasing salaries, although only employees in the public hospitals receive the regulated salary increases. The rest of employees in privately owned hospitals have to bargain their wage increases with the employers through decentralized collective bargaining or individually.

In order to address the labour shortage, the government has recently reduced the requirements for the nurses' qualification. Until now, a qualified nurse was required to possess a bachelor degree (three year program at the university), now only one year program at the university is required. By the systematic increase of qualification requirements in the last 10 years and not adequate increase of wages, young qualified nurses avoid working in the healthcare sector in general and in hospitals specifically. They preferred either ambulance care or even choose migration to other European countries.

The decree of the Ministry of Healthcare on the minimum standards in equipment and personnel for healthcare providers approved in 2012 was criticized by the social partners and other stakeholders. It was aimed at setting the minimum standards in healthcare, however representative of the LOK-CSL was afraid that the minimum standards might be understood as the optimum which might lead to the decrease in the hospital's personnel capacities (Medical Tribune, 2012). As we have shown in part 4.3., this reform did not cause any dramatic changes in staff per bed ratio in the Czech hospitals, but it did not improve it either. An increase in the staff per bed indicator is attributed to the general decrease in the beds number. The number of beds per one doctor differs at the faculty and ordinary hospitals, 4.7 beds in average are served by one doctor at the faculty hospital, while in the private owned hospitals it is 5.3 in average.

The representative of the Ministry of Finance believes that there are not enough incentives for measuring the quality of service in healthcare. Payments from the public insurance system are based on the quantity of the performed tasks and no systemic quality control is provided (Medical Tribune 2012). "It is usual that hospital prefers examinations where money is allocated from the health insurance company and postpones others that are contracted for the next year," confirms representative of the hospital (HEALTH4 2017). This, however, does not affect

waiting periods significantly. In an international comparison of Euro Health Consumer Index, the Czech Republic scored the best among V4 countries and it has improved in last 10 years (EHCI, 2017). According to the survey, more than 90 per cent of patients access the treatment of cancer within 3 weeks, however, in elective surgery planning only half of patients waits less than three months.

The quality of service is further evaluated through the patients' satisfaction with the services; however, those measurements are inconsistent and do not capture the long-term development. One of the institutions that are mapping the quality of service is the NGO HealthCare Institute. According to the surveys among patients and employees and financial results, they create the rank of hospitals in two categories, faculty and other hospitals. Such surveys have its limitations and, in general, to not provoke debate on the quality of service.

## **4.6 Conclusions**

Reforms in healthcare were marked by the ad hoc changes, partially guided by the NPM principles. The main aim to these changes was to response to urgent problems in the sector, especially the high debt and related low wages, increasing overtime work and remarkable labour shortage in the recent years. Of course, all of these problems are interconnected and would require complex solution; nevertheless, such a solution is not on the table. There was a discussion on increasing financial resources through increasing the financial participation of the patients; however even incremental changes in this respect, the fees for doctor's visit, was abandoned and more complex changes seems to be unfeasible for any political party.

As in the other public sector domains in Czechia, crisis played only limited role in the hospitals sector. After the crisis outburst, and after its impact on employment, government suggested financial cuts in the public sector, including healthcare. Nevertheless, because of already underfinanced staff, as well as already existing shortages, wages did not decrease significantly. Trade unions with their innovative industrial action played important role in this discussion (Martišková and Sedláková 2017).

In the hospitals sector, social dialog similarly to other sectors covered in this report, is held at the establishment level and at the national level. The non-existent collective bargaining at the sector level leaves social partners in reactive role of lobbying groups that are partially dependent on the colour of the ruling government. This, to large extent, prevents discussion on systemic changes in the healthcare sector, or at least may disqualify social partners from the potential discussion if government decides not to consult its own proposal with the social partners. Legal amendments and consultations over the budget are the main channels through which social partners influence the working conditions, hand in hand with protest activities and fairly established collective bargaining at the workplace level. The establishment level, however, plays much important role in setting the working conditions than in the primary schools' or in the municipalities' case.

## 5 Comparisons

In this section we compare the three sectors studied in this report. From underlying the main developments and reforms that affected the working conditions we look at the state of social dialogue and continue with assessing the impact of social dialogue on working conditions and the quality of service provided.

### 5.1 Working conditions and reforms in the public sector

The long-term problems of the public sector employees are low wages, high workload and increased overtime work. Low wages are accentuated in the primary schools and pre-schools for more than 20 years. In the hospitals, nurses and technical staff receive wages significantly lower than the doctors' wages. After the reforms in education that introduced the school curricula and more recently the inclusion for children with disabilities, teachers suffer from high workload that is not fully transferred to the recorded overtime hours because of the placeless character of preparation on teaching. As a consequence, the overtime work is not accentuated in the education sector compared to healthcare where additional hours worked are easily recorded.

In education and healthcare wage increases were recorded mostly in the last years. This is attributed to the high economic growth, low unemployment levels and related labour shortage in these sectors but also previous wage freezes in the post-crisis years. Temporary employment emerges in the last years but this is attributed mostly to the employment temporality of the EU structural funds projects or the replacement of workers on parental care. The only sector where we observe increase in the short-term contracts is the pre-primary education as a consequence of the per capita financing that does not allow the full-time contract in the case of decrease in the number of children in the kindergarten, which is supposed to change in 2018.

In addition, education suffers from ageing, when the share of teachers above 56 rose in primary education by 5 percentage points in the last 5 years, while in the pre-primary education by 8 percentage points during the same period. The teachers over 56 consist of 20 per cent in the both subsectors. Ageing in the healthcare sector emerges in the subdomains such as practitioners or dentists.

The public sector reforms were mostly introduced in the 1990s and at the beginning of the 2000s as the part of the transformation processes to the democratic society. Majority of the reforms in healthcare, education and local government in the last 15 years resulted in decentralization. This was provided through the creation of the municipalities' and regions' self-govern units which are now obliged to provide the public services, among others, in education and healthcare. Municipalities thus possess the unusually wide range of duties from ensuring pre-primary and primary education, waste management, and road maintenance to providing healthcare. Schools are autonomous in their financial management, personal policies and curricula which are criticized by the stakeholders in the education sector as too wide.

Despite decentralization in duties and high autonomy in decision making assigned to the schools, wage setting remained centralized. Municipalities thus finance from their own budgets only operational costs and in terms of duties appoint directors of the pre-schools and primary schools. In healthcare, majority of the municipal hospitals were privatized or corporatized and

are run by the private subjects or municipalities. Faculty hospitals are under the patronage of the central government. Wages in the private hospitals do not fall under the wage regulation and are considerably lower than wages in the publicly owned hospitals that are regulated by the government.

In the education and healthcare reforms were initially driven by the NPM logic (privatization or corporatization of the hospitals, per capita financing in education) but currently these policies are being modified (change of per capita financing to per class financing). In healthcare, efforts to narrow the wage differences as the result of privatization remain unsuccessful. More recent, reforms were, however, of ad hoc nature with no clear intention on decentralization or NPM principles.

During the crisis, education and healthcare remained sheltered from the austerity measures. The only sector where the wage cuts were introduced was the central government and in some cases also municipalities. In education and healthcare, unsatisfactory wage levels and the resistance of the social partners, ruined the initial proposals for the wage cuts. Municipalities were not tackled by the crisis deeply, although minor turbulences in employment and the wage cuts were recorded and services provided were affected only in minor extent, for example in the cultural activities. Other than short-term austerity measures were not introduced after the crisis in Czechia. Majority of the reforms introduced in the post-crisis period react on the long-term dissatisfaction with the status quo. The financing reform in education introduced in 2017 was not driven by the post-crisis development but as a reaction on the long term dissatisfaction with the system of financing. Reforms introduced in the healthcare sector do not relate to the crisis, neither.

## **5.2 The role of industrial relations in shaping the public sector**

In the all three domains studied in this report, trade unions operate along with other interest groups, representing “employers” such as school directors, municipalities and hospitals associations. Service users do not form their organizations and their voice is thus not heard in the public sector. There is one trade union organization representing pre-primary, primary and secondary education. The directors’ association represents employers in primary education, although it does not possess the same competences as employers in the private sector and has no intention to bargain collectively in the sector. In the hospitals sector, the trade union representing nurses and social workers is very vocal in demanding higher wages while the doctors’ trade union managed to attain high wages for the doctors in the post-crisis period. Employers in healthcare, especially those of privatized hospitals, act as the independent employers, similarly to the private sector. At the local level, the trade union of state organization operates and on the employers side we find the Union of the towns and the municipalities that is also active in the education sector.

Collective bargaining in the public sector is present only at the establishment level in all domains we studied in this report. The only sector level collective agreement was signed for the central government employees in 2016 which was historically the first sector level agreement in the public sector; nevertheless, the wages in the sector remained regulated by the Government decree. However, trade unions in healthcare and education hope to spread the practice of signing the sectoral collective agreements to their domains. For now, social dialogue at the sector level is channelled mostly through tripartite consultations at the national level and through the ad hoc

consultations with the ministries and the local and regional government as we described in the section 1.2. As the social partners from education, healthcare and local government claim, the dialogue with the state representatives and presence in the commissions and other consultation bodies of the central government are crucial for their advocacy activities. We summarize the main attitudes of the social partners towards reforms that concerned working conditions in the Table 16.

**Table 16 Social partners' impact and view on reforms that tackled working conditions in the three public sector domains**

	Primary education	Hospitals	Local government (pre-primary education)
Unions	<p>Criticize the high autonomy of the schools and their directors. Demand more centralization. Criticize director's politization at the local level.</p> <p>CB at the school level and the lack of CB at the sector level. SD outcomes dependent on the ruling government. Demand often addressed through protest activities.</p> <p>Welcome the change of financing from the per capita to per class system from 2018 but implementation problems expected. Unhappy with inclusion reform.</p>	<p>Corporatization and privatization criticized. Not equal working conditions in public and privatized hospitals.</p> <p>CB at the establishment level and the lack of CB at sector level induce collective actions (2011 "Thank you we are leaving" campaign)</p> <p>Labour shortages in the hospitals remarkable.</p>	<p>Criticize the high autonomy of the schools and their directors. Demand more centralization.</p> <p>Welcome the change of financing from the per capita to per class system from 2018 but implementation problems expected.</p> <p>Labour shortages expected in next years because of the ageing</p>
Employers	<p>Demand even higher autonomy of the directors. Criticize director's politization at the local level.</p> <p>Welcome change of financing from the per capita to per class system.</p>	<p>Corporatized hospitals rationalized and reduced their services.</p>	<p>Criticize the lack of co-determination on reforms proposed by the Ministry of Education.</p> <p>Criticize the lack of financial resources on their duties.</p>

Source: author's compilation

### 5.2.1 Social partners on financing and wages in the public sector

Social partners address their demands mostly through the legislative proposals. In education, for instance, trade unions addressed the issue of short-term contracts that overlapped the school year periods directly in the School Act, instead of e.g. collective agreements at the school level where malpractice emerged. Directors' association in primary education do not even aim to become the social partner for the collective bargaining and consider direct dialogue with the government representatives the most efficient strategy. Their recent initiative in financing reform that was demanded also by other stakeholders was approved and will be valid from 2018. Example from healthcare includes trade unions effort to unify the remuneration of the private and public hospitals under the wage regulation of the public sector employees. The reason is that despite the high collective bargaining coverage in healthcare (74%), CB outcomes do not reach the same wage increases as through the centralized wage setting.

Highly centralized pay determination thus leaves social partners in the difficult position of lobbying groups relying on the government's ad hoc decisions. The intensity and the quality of social dialogue then depend on the government's colour which we demonstrated on the example

of high incidence of the protest activities in education sector which overlapped with the centre-right government that introduced austerity measures and the rapid decrease in protest actions when the social democrats formed the government in 2013. Unsurprisingly, demands on wage increases resulted in success only recently, while in the previous periods trade unions had been less successful in influencing working conditions. The mobilization was used in the education and healthcare sector mostly, while no such turbulences were noticed in the local government.

The crisis and the post-crisis development affirmed trade unions' position as the main interest group representing employees in the public sector. Protests in education prevented budget cuts, and doctors through their resignation campaign managed to increase their wages. Nevertheless, TU membership base was continuously decreasing, especially in education, and their mobilization potential was limited to the period of austerity measures and their "return to the table" was inevitable. The post-crisis period, and especially recent economic growth, empowered trade unions to bargain high wage increases through the social dialogue with the government. In healthcare, tariff wages defined in the government decree rose by 34 per cent since 2011, in education by 30 per cent and the wage increases concerned also non-professionals in the both sectors. In healthcare, the labour shortage appears to be the main driver of wage increases, especially for nurses. The preview of future labour shortage that derives from the ageing is one of the drives of wage increases in the primary and pre-primary education sector. Besides trade unions, other interest groups representing employees do not emerge.

The public sector employers have only limited means how they can influence the working conditions, because of the centralized wage setting and also the lack of the sector-level collective bargaining. In healthcare, in the privately owned hospitals financed from the public resources, rationalization and austerity measures emerged in the last 15 years. Besides, no large-scale and publicly discussed responses to the austerity measures have occurred. In education, despite all stakeholders call for wage increases, the directors' association aims to obtain the higher margin of the flexible wage and prevent tariff wage increases. This is one of the reasons why the common effort of the stakeholders to increase wages in education is ruined. We summarize social partners' views on working conditions in the following Table 17.

5.2.1.1 Table 17 Social partners' on working conditions

	Primary education	Hospitals	Local government (pre-primary education)
Unions	<p>Criticize the low wages and high workload</p> <p>Call for expenditures increase to the 6% of GDP</p> <p>Wage increases: yes, through the tariff increases</p> <p>Campaign "End of cheap teachers" supported by the Minister for Education in 2016</p> <p>Results: Stopped wage cuts during the crisis and wage increases in recent years.</p>	<p>Dual remuneration schemes criticized, wages in the public hospitals higher</p> <p>Dualization strengthens CB at the hospitals level: Wage increases in the private hospitals possible only through CB</p> <p>Result: Wage increases of nurses and technical workers in the public hospitals by 34% between 2014 and 2018.</p>	<p>Criticize the low wages and high workload</p> <p>Weak bargaining power, only sub-section of the TU in education</p> <p>The most of the results of the SD in primary education apply to the pre-primary education</p>

Employers	Wage increases: yes, but not through the tariff increases – demand higher autonomy for the school directors	Private owners of the hospitals avoid falling under the centralized regulation of wages.	Limited resources to increase wages beyond the tariff regulations
	Supports wage increases		

Source: own compilation

## 5.2.2 Social partners on the quality of service in the public sector

Social partners agree that the precondition for the high quality of service is well paid employees. Doctors' trade union managed to justify this position through protests in 2011 when they gained higher wages but other occupations are much successful in the justification of higher wages through the social dialogue.

In order to improve education outcomes, career code was supposed to motivate teachers to life-long learning and also to provide increases to the tariff wages based on their seniority and qualification but despite the stakeholders support the proposal was not approved because of the lack of financial resources. In healthcare, an intention to increase the qualification requirements of nurses resulted in the staff shortage in the hospitals, as the demanded qualification at the university degree level was insufficiently reflected in the wages. As a reaction on the labour shortage of nurses, government recently decided to relax education requirement for nurses to the of bachelor decree.

The quality of service is monitored by other interest groups, mostly NGOs in primary education and healthcare. In education, NGO organizations promoted inclusion reform and played an important role in the implementation of the reform that trade unions opposed. The quality monitoring and ranking of the primary schools is provided mostly through the international rankings of PISA or ITMSS. The Ministry of Education engaged in discussion on the quality only in recent years requiring the unified testing of the primary school graduates but for now, the results do not influence the allocation of the financial resources which all social partners justify and argue that the school performance is determined by the factors that school cannot influence such as location and therefore should not be punished for worse results. Their argument is that the average results in the disadvantaged area may costs the same effort as the excellent results in the privileged regions and in bigger cities.

In pre-primary education, the quality of service is not measured at all and social partners thematise mostly the issue of capacities and need for smaller class size to improve the quality of pre-primary education. However, parents contradict this discussion and demand more places in kindergartens to be enabled to participate on the labour market. As a result, municipalities resigned on the quality improvement and opted for increased capacities of the kindergartens.

In healthcare, few NGOs that monitor quality based on patients' surveys emerge, but no consistent and reliable results are offered. Patients have limited means of showing dissatisfaction when they may only submit the consent to the healthcare provider, to the Chamber of the doctors or to the Ministry of Healthcare which is very difficult way. In many cases however, patients are not aware of their rights. Moreover, in the case of protests, patients appear in disadvantaged position and are taken as hostages to the doctors wage increases demands (Sedláková, Martišková 2017). We summarize the social partners' views on the quality of service

in the following table (Table 18). We also add users of the service as relevant group that co-determine the quality of service.

**Table 18 Social partners' view on quality of service**

	Primary education	Hospitals	Local government (pre-primary education)
Unions	For high quality of service qualified and well paid workers are necessary  No reform improved working conditions and thus did not improve quality of service  Career code would motivate teachers for LLL, but after long discussion not approved	For high quality of service qualified and well paid workers necessary  Because of the labour shortage, especially shortage of nurses, some hospitals are forced to close some of the departments	For high quality of service qualified and well paid workers are necessary  High maximum number of children (24+4) per class decreases quality  No systemic control of quality
Employers	Reject ranking of schools Local government primary responsible for capacities, do not follow quality of education process  Career code would motivate teachers for LLL, but after long discussion not approved	There is a space for efficiency improvement  System of financing does not provide incentives for quality improvements  In international comparison Czech healthcare system improves its quality	Local government primary responsible for capacities, do not follow quality of education process  No systemic control of quality
Service users	Reject ranking of schools Parents: In general satisfied with education outcomes	Patients: Limited means of showing dissatisfaction.	Parents: Demand capacities, do not criticize the quality

Source: own compilation

## 6 Conclusions

The aim of this report was to capture the dynamics of post-crisis development in employment, working conditions and industrial relations in the public sector. We focused our analysis on the primary schools, hospitals and pre-primary education as a subsector governed by the local governments. We followed social partners' responses and impact on the public sector working conditions that got under the pressure with austerity measures introduced during the crisis. We further followed social partners' view on the quality of service provided

### **Reforms in the public sector**

The reforms in education and healthcare were criticized for the lack of conceptualization and the missing long-term vision. The decentralization at the local level allocated the large share of duties to the municipalities regardless of their size and capabilities. Each particular subject (school, hospital or municipality) is now independent in the decision making and service provision but remains dependent on the centralized wage setting and financial transfers. Therefore, during the crisis, there was not much space for further decentralization and thus the central government concentrated mostly on the budget cuts. The only centralized agenda that got under the pressure were wages. The budget cuts were proposed, but not other systemic plans emerged.

The high level of decentralization contributed to the social dialogue fragmentation and its absence at the sector level in all of the public sector domains. There was not collective agreement signed for any of the public sector domain until 2016 when the collective agreement for the central administration employees was concluded thanks to the introduction of the civil service status for these employees. Despite the absence of the collective agreements in the public sector, still significant unionization rates empowered trade unions to contribute to the discussion over the wages and working conditions. Two strategies are applied by the social partners. The first contained participation on the social dialogue at the national tripartite body and the second was industrial action or the various forms of protest activities. The intensity of the second strategy was highly dependent on the government's attitude to the social dialogue.

### **The crisis impact on the public sector**

During the transformation period, social partners did not strongly oppose the introduction of the NPM principles in the schools and hospitals' management. The reason was that the efficiency targets were vaguely defined and thus provided mostly negative incentives, especially in the education sector. These were strongly criticized by the social partners in later periods.

The crisis impact on the public sector employment remained limited. Relatively low government's debt and the absence of significant problems in economy did not expose Czechia to the international pressures. Czech government thus embarked on the simple budget cuts that were finally implemented only at the central government level. We did not observe any reform efforts towards the decentralization or competence transfer as those had been implemented already during the transformation period long before the economic crisis. The limited crisis consequences in education and healthcare are also attributed to the mobilization and protest activities of the trade unions when the social dialogue eroded and trade unions embarked on the protests and strikes in education and on resignation campaign of the doctors in healthcare. In

both sectors, already low wages prevented the intended budget cuts or job reductions. At the local government level, employment changes occurred but those were in the sole competence of the particular municipality. Pre-primary education, part of the education sector, remained sheltered from the employment changes.

### **Industrial relations in the public sector after the crisis**

In the crisis period it seemed that social partners “left the table” as social dialogue with the government failed (Kahancová and Martišková 2016), however, economic recovery in the recent years brought the different development in Czechia. In the last government period 2013 – 2017, which coincides with the economic recovery, we saw the re-establishment of the social dialogue at the central government level. The wage increases of 30 and more per cent in the healthcare and education were attained solely through the social dialogue supported in education by the campaign “End of cheap teachers” supported by the minister of education. What we saw is revival of the social partnership that, unfortunately, still hangs on the willingness of the government to participate on it. The main problem is the absence of the institutional form of the sector level collective bargaining that would minimize the social partners’ exposure to the government’s colour.

### **The role of the industrial relations in shaping the public sector**

The centralized wage setting mechanism for the majority of the public sector employees remained the dominant tool of wage increases. The state thus keeps its dominant position in determining the working conditions in the public sector. The absence of the collective bargaining in the public sector domains forces social partners to address their claims to the central government directly. Mobilization in the forms of strikes, petitions or demonstrations proves to be the efficient tool in cases when the social dialogue fails. This hollows the space for the collective bargaining, even at the establishment level, and leaves the social partners in reactive position. The absence of the collective bargaining also denies exclusive access to the government and as a consequence leaves trade unions in the position of lobbying groups along with the various NGOs and interest groups which was especially the case of recent reforms in education. The first sector collective agreement that covers central government employees since 2016, did not transform the wage setting mechanism and the wages remain regulated by the government.

### **The quality of service provided in the public sector**

The post-crisis development did not bring any significant changes in terms of the quality of service in education while in healthcare resignation campaign possessed some threads to services access, but actually did not result in the actual resignations. There is long-term discussion on the role of the state in ensuring the quality of service as through the various waves of decentralization since the 1990s, the state gave up the control over the provided quality. In recent years, the education sector experiences some effort to control the quality from the ministry side in the form of unified examination but for now this does not have significant impact elsewhere. In healthcare, there is ongoing discussion on the efficiency control of hospitals, with no clear result yet. Interestingly, in international comparisons the quality of service, both Czech schools and Czech hospitals do not perform badly, rather in average, which even postpones the discussion on changes. Social partners do not thematise sufficiently the quality of service as the main reason

for the decent working condition which might be useful argument in the case of underfinanced pre-primary education. Moreover, users' attitudes to the quality of service are not vocal enough. For instance, in primary education parents do not thematise the education outcomes and in healthcare patients have only limited means to influence the quality of service. In the case of pre-primary education the problem with the quality of service is almost neglected as insufficient capacities dominate the discussion

Increasing workload and decreasing quality of work is also long term problem in education and healthcare. Recent inclusion reform in education even amplified it and was criticised by the social partners for the increased workload of teachers. On the other hand, financing reform that abandons per capita system in education is supposed to be implemented from 2018 and social partners express mostly the positive expectations. In healthcare, trade unions are trying to unify the wages of private and public hospitals but have not been successful yet.

### **Feminization and ageing**

All studied sectors are highly feminized, but no special strategies or policies are addressed to this issue. Despite the centralized wage setting, we find the gender pay gap in the public sector, since mostly males undertake the managerial positions in healthcare and education. This strategy is justified by low wages in the sector and connected to the expectation on man being the primary earner in the family. The private part of the healthcare sector experience problems with gender pay equality more often but there is no statistical evidence for it. The reported case of gender wage discrimination in healthcare and was justified by the court as non-discriminatory practice related to the regular wage competition on the labour market.

To conclude, crisis strengthened the position of trade unions and exercised their mobilization potential. Despite success in avoiding wage cuts, no structural changes towards establishing collective bargaining at the sector level were introduced. The first collective agreement in the public sector provides some hope for the institutionalization of the social dialogue in the public sector, but at the same time does not provide specific guideline how to establish it in other public sector domains. Instead, the systematically underfinanced public sector and associated low wages will the most probably dominate the future discussion of the social partners and other actors. Given the decreasing membership base of trade unions and the unwillingness of the employers and the government to participate on the sector level collective bargaining, major improvements will be attained mostly through the political alliances or industrial actions.

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Act on state service No. 234/2014 Coll.

Act. No. 2/1969 Coll. Competence act

Act No. 128/2000 Coll. on municipalities

Government's decree No. 564/2006 Coll. on employees remuneration

#### **Databases:**

CZSO – Czech statistical office

MŠMT – Ministry of Education database

ICTWSS

## 8 List of conducted interviews

Interview code	Sector	Organization	Type	Respondent function
EDU1 (2016)	Education	ČMOS PŠ	Trade union in education	Representative 1, Representative 2
EDU2 (2017)	Education	Association of Directors of Primary Schools (Asociace ředitelů základních škol - ARŽŠ)	Directors' association	President of the association
EDU3 (2017)	Education	ČMOS PŠ	Trade union in education	Member of the Trade union's Presidency on Pre-schools
LOC1 (2017)	Municipalities	Local office Prague 7 district	Local government	Director of the department of education in Prague 7 district
LOC2 (2015)*	Municipalities	Union of the towns and the cities (SMO)	Roof organization of towns and cities	President of the association
CENTRAL 1 (2016)	Central government	Trade union of the state institutions	Trade union	Vice-president
HEALTH1(2015)*	Healthcare	Trade Union of the Health Service and Social Care of the Czech Republic (Odborový svaz zdravotnictví a sociální péče ČR)	Trade union	President
HEALTH 2(2015)*	Healthcare	Medical Doctors Trade Union Club – Union of Czech Doctors (Lekarský odborový klub – Svaz český chlekarů)	Trade union	President
HEALTH 3(2015)*	Healthcare	The Association of Czech and Moravian Hospitals – ACMN (Asociace českých a moravských nemocnic)	Employers	Vice-president
HEALTH4 (2017)	Healthcare	Hospital in the Moravian-silesian region	Employer	Hospital manager

Source: own compilation, \*CELSI archive



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