

**THE SOCIAL AND ECONOMIC CONSEQUENCES
OF THE CR'S INTEGRATION INTO THE EU**

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Introduction

The year 1998 is the first year of negotiations the accession of the Czech Republic into the European Union. This process will include an examination of the Czech Republic's readiness to honour the non-negotiable commitments arising from EU membership, commitments that have been formulated both legally and institutionally in the "acquis communautaire". This examination of the Czech Republic's readiness (the screening stage) during the negotiating process could last, under favourable conditions, one year, further negotiation procedures will probably take two or three years more, i.e. to the end of 2001.

The examination and negotiations will be focused on a detailed evaluation of the Czech Republic's readiness to guarantee the essential freedoms of the EU: the free movement of goods and services, the free movement of capital and the free movement of people. The examination will include the readiness of the Czech Republic to adopt EU policy, particularly the common commercial policy, environmental policy, regional policy, agricultural policy, transportation policy and other policies that are incorporated in EU legislation.

The Czech Republic, as well as the other candidate countries, cannot rely on possible future changes in these policies and legal norms, but it can and should negotiate in detail the basic conditions and time limits for their full acceptance and effectiveness. The nature of the negotiating process will become more complex during the period 1998-2000. Firstly, Czech economic development is now in a period of stagnation, and secondly, the wider European integration process is now entering the final stage of Economic and Monetary Union (EMU) implementation, the introduction of the European currency - the EURO - in to both the European and world economies. Unless the CR wants to find itself on the periphery of the European economy, it needs to consider its tasks and commitments not only from the point of view of its admission to the EU but also in the time and material contexts of membership of the European Monetary Union. These include a wide range of issues that could be resolved by studying comparative analyses of both the positive and negative experiences obtained by others in countries which have preceded us by several years into the EU and eventually the EMU. Our closest and most important partners from the EU countries will, beginning 1999, adopt the price and settlement currency, the "euro", as will also their companies operating within

the Czech Republic. Over 300 000 jobs in the CR, scores of banks and insurance companies, businesses, etc. will, as soon as, the year 2000 be involved in business relationships affected by the unified European currency and the rules of its operation. The above mentioned international comparative analyses must be supplemented by analyses covering the subject of the effect of European currency penetration on the Czech economy and its politics caused by international and foreign companies. The current problems of the Czech economy indicate that in order to resolve these problems the role of international and foreign companies has to increase.

The Czech economy, despite its weakness and low competitiveness, has been opened to strong economies in general and to strong neighbouring countries in particular. While, concerning our neighbours, the active trade balance has increased in total (e.g. with Germany from 22 B. DEM in 1991 to 122 B. DEM in 1997) as well as in relation to the CR itself, the Czech economic growth has been, in the last two years, "matched" by massive trade deficits (160 B. CZK in 1996 and 140 B. CZK in 1997). This is also reflected in the dangerously high deficit in the balance of payments which contributed to the financial crisis and economic decline of 1997 which will probably continue in to the coming years. We have a passive balance with Germany, Austria and many other EU countries. The openness of the Czech economy has, in fact, contributed to what is obvious from statistical comparison, i.e. the degree of its weakness in the stage before accession to the EU. Ways of improving the real weaknesses will not be found in adopting methods of protection against European competition, i.e. in Czech protectionism. Improvement is possible only if CR competitiveness improves by means of innovative technologies and services, i.e. a significant increase in productivity.

The above statement holds true for the market in goods and services, in particular, and, with certain modifications also for the capital market. However, the labour market is a special case, especially concerning the free movement of people in Europe. In 1990-93 the CR was a "labour-emigration" country, while since 1994 it has become a "labour- immigration" country. Presently, there are 180 000 registered foreigners with labour or business permits in the CR, while less than 20 000 Czech citizens work abroad.

Specific problems will arise in the social area. Today the Czech Republic is not an excessively “welfare state”; the share of social expenditure in the gross domestic product is lower than in the majority of EU countries. Also the levels of individual benefits, if compared using both the bank exchange rate and purchasing power (ERDI), are lower. With an increase in unemployment, the number of citizens depending on social benefits also grows. The number of people who are difficult to employ grows; restructuring and economic recession is accompanied by the burden of “socially” compensated unemployment. Improving employment policy within regional labour markets is therefore an urgent task for the Czech Republic.

In the area of social protection, the European dimension is increasing for the Czech Republic in at least two directions. Firstly, in the dialogue and joint search for an optimal, politically consensual, socially balanced, economically feasible social protection system for its citizens, which will reflect the history and tradition of European humanism. Such a dialogue has been underway out within the Union for some time and it will probably be one of the main considerations for the future development of member countries as well as the Union as a whole in the 21st century. By following and contributing to this dialogue, the Czech Republic has unique chance to gain inspiration for reforms of the social and taxation systems and to reach as close as is possible the optimal status of society and economy. The second dimension is directly linked to the integrated economy and the free movement of the labour force and people, i.e. the coordination of national systems of social security. The principle of non-discrimination and equal security for citizens of all EU states is enshrined in various legislation and administrative requirements it represents one of the basic mechanisms for fulfilling the economic, social and humanitarian requirements within the integration proces.

The summary of analyses covering the social and economic aspects of the Czech Republic's integration into the European Union in terms of employment, labour and social relations pursues the aim of providing basic information on relations at the start-up of negotiations on our accession to the Union. March 31, 1998 represents, figuratively speaking, “the start of a long, demanding and multi-stage process”. It is obvious that the summary of analyses which is contained in our study is only an introduction to the issue. Each of the topics analysed - the free movement of the labour force, social security, employment relations, social

dialogue, and equal opportunities - clearly indicates the tasks which have to be undertaken and fulfilled by the Czech Republic during the preparation stage of accession to the EU and the subsequent accession itself. The authors, therefore, did not consider it useful to present synthetic conclusions and recommendations. They would be happy if this study allowed for basic orientation and became a certain starting point for further, more specialized activity for a wide circle of experts and institutions that will be aimed at developing the preconditions for the Czech Republic's integration in to the European Union in the labour and social spheres.

I. Free Movement of the Labour Force

1. Introduction

Economic theory refers to the issues of the territorial mobility of the labour force in general and the mobility among states in particular within two hypotheses:

- **integration theory** is based on the assumption that one aspect of single and free market prosperity is the movement of labour to areas with the highest productivity. Migration takes place until the limit of productivity and the levels of wages paid for the same type of work become balanced in the individual regions (states). The preconditions are: a mobile labour force, information on the labour market, removal of barriers and limitations (residence permit, labour permit, qualification acknowledgement, language, etc.)
- **theory of labour inflexibility among states** (classical theory of foreign trade) is based on the assumption that business relations between states assist in distributing the labour force in accordance with the comparative advantages of products in individual countries; labour force migration is not necessary since it is substituted by business transactions and capital movement, i.e. factors that are more flexible and mobile.

In the real economic development of individual states (confederation of states) the pro-migration and anti-migration factors combine and their effects change. The migration of a potential labour force (and the related migration of other, dependant persons) is initiated by impulses, the roots of which exist particularly in the different economic levels of individual regions (states, unions); potential migration among states (unions, regions) is triggered at the point when opposing economic factors in the emigration country (lack of vacancies, unemployment, low real incomes) and the immigration country (vacancies available, high levels of real incomes and their attainability) polarize to such extent that they motivate migration.

Expert analyses identify “push factors”, i.e. unfavourable economic relations that “push” the population (labour force) to other countries, from the emigration (home) countries, and “pull factors”, i.e. favourable economic conditions for the acceptance of a foreign labour force, in the immigration (target) countries.

In order to transform the potential inter-state migration (based on the impulses stemming from the differences in economic development) into legal¹⁾ migration processes, various other preconditions met, in particular the following:

- opportunities for transportation, legal entry to and stay in the immigration state, movement within the country, possibly with precisely specified conditions (duration of stay, type of activity pursued, etc.); the more liberal the conditions of the entry to the immigration state (together with economic motivation), the more intense is the inter-state migration,
- an access to information on the labour market, labour, social and living conditions in the target country,
- a chance to overcome the language barrier, cultural, religious and similar differences; Family ties and responsibilities are important, and therefore the migration of women is substantially lower than that of men.

2. Experience of European Countries

The information derived from the analysis of the issues related to the free movement of people and the labour force in the history of the Community and its policy of labour migration applied towards third countries, which are significant for the CR's integration, may be summarized as follows:

- A. The share of mutual turnover of foreign trade among Union member countries is gradually increasing (from approximately 45 per cent in the 60's to 60 per cent at present). The movement of capital is, however, more flexible than the movement of the labour force. Differences in levels of economic development of member countries are diminishing; the less advanced states have come close to the average in terms of economy. These processes (however gradual) represent a factor hampering the inter-state migration of labour forces among member countries.
- B. There are still (and will be for a long period of time) substantial differences in

¹ Illegal migration among countries occurs on the basis of impulses stemming from the economic differences between the emigration and immigration state.

the levels of income, consumer prices and national taxation quotas (i.e. the burden of direct taxes and mandatory contributions to the social protection fund) in the EU member countries. Still, the following tendencies are obvious:

- the lower level of gross wages is a comparative advantage for the less advanced countries, an impulse for capital allocation and subsequently for balancing the economic development level of individual states,
- less advanced countries implement a policy of relatively lower levels of consumer prices and have, as a rule, lower taxation quotas. Therefore there are less contrasts in terms of the real purchasing power of net wages than in the case of gross wages being converted according to the exchange rate; this factor substantially decreases the level of economic (income) motivation for the migration of the labour force among member countries;

C. The existing differences in the economic and income levels among individual regions of the European Union are substantial and higher than the average differences among the member countries. As a result of that, certain impulses create labour migration within individual states while inter-state migration remains limited.

D. Factors of world economic development (competition among the key economic centres - EU, U.S.A., Japan, the oil crisis in the past) have caused a low increase in employment in the EU (or even its stagnation or decrease in individual countries) and the high and stable level of unemployment (approximately 10 per cent). Each member country thus has a reserve of potential labour force that covers fluctuations in demand without the need for inter-state labour migration.

E. Economic and income levels as well as overall living conditions are aspects that make EU countries more attractive, from a labour force migration point of view, for people from less advanced third countries, including the transforming countries of Central and Eastern Europe. The European Union and the individual member countries implement a policy of Union labour market protection. Economic and social processes of member countries' integration creates, in terms of the free movement of the labour force, a certain paradox -

labour market liberalization within the Union on the one hand and its protection against third, less advanced countries on the other.

3. Employment, Unemployment and Labour Migration in the Czech Republic

In the period 1991-1997, significant changes occurred in the level and structure of employment in the CR; the employment of foreigners also exerted a certain influence. In summary, these included the following processes:

- The number of people of productive age increased (by approximately 290000 in the period 1990-1995);
- In the period 1990-1993 the figure of registered (legal) employment decreased by approximately 10 per cent (from 5,4 mil. to 4,9 mil); the economic activity of women and people of post-productive age decreased, registered unemployment grew (from 0,8 per cent to 3 per cent of people able to work); the number of foreign workers dropped. In the period 1994-1996 legal employment increased (by approximately 200000 people, 100000 of whom were foreigners - businessmen, employees). In 1997 employment stagnated, while unemployment grew; the employment of foreigners is still around 3,5 per cent of total employment;
- employment in the primary and secondary sectors (agriculture, forestry, industry, construction) has decreased continuously, while it grows in the service sector (over 53 per cent of employed people);
- the sector of self-employed people continued to develop - trade licence holders, small firms, entrepreneurs (total of 750 thousand employed people);
- a relatively strong illegal employment sector developed (since 1992 it has been estimated at approximately 250000 people - Czech citizens, and 80 - 100000 foreigners who are partly employed by Czech companies and partly involved in various businesses, including crime);
- the foreign migration of Czech citizens is limited (less than 30 thousand people, i.e. 0,5 per cent of overall employment).

The medium-term perspective of the quantitative development in CR human resources (1995-2000) indicates the following tendencies:

- A. by the year 2000 the number of people of productive age will have increased. Taking into account the higher retirement age, the increase is estimated at 236000 people (provided the number of productive people in the 30-45 age group drops); the labour supply will also be increased by a likely drop in the number of people in vocational training or studying for their future jobs;

B. the labour supply will be high by the year 2000. The risks of unemployment growth will increase. Therefore realistic considerations as to foreign labour force migration and its increase are in place. Impulses vis á vis the demand for labour migration to the CR from abroad will be rather limited in this period and their structure may be summarized as follows:

- lack of labour force for seasonal work in construction, agriculture and forestry,
- lack of suitable domestic vacancies for the ongoing restructuring of the economy, including the reconstruction of infrastructure and housing,
- lack of interest of Czech citizens in certain low-paid, demanding, monotonous jobs that do not require qualification or jobs in multiple shifts operations,
- necessity of foreign experts for certain jobs requiring high qualification.

Unemployment in the Czech Republic was the lowest among the Central European transforming countries at the end of 1996 (186300 people at the end of 1996, i.e. 3,5 per cent). The economic stagnation of 1997 caused unemployment growth (to over 260000 people). The structure of unemployment may be characterized as follows:

- the highest unemployment is among people with elementary education; particularly workers, women, younger people. Enormous growth in unemployment occurred in the case of handicapped people - while they have a 3 per cent share in employment, their share in unemployment in total is 18 per cent; the unemployment of Romanies is a significant social problem;
- there are significant regional differences in unemployment levels. In the middle of 1997 unemployment exceeded 5 per cent and the number of unemployed exceeded by 3 times the number of vacancies in more than one third of districts (27); approximately one seventh of the districts had unemployment under 2 per cent and more vacancies than applicants;
- the share of long-term unemployment (over 12 months) has gradually increased to approximately one fifth of total unemployment. A certain number of these people are not interested in employment and take advantage of social benefits as a long-term income source.

The Czech Republic has recently become a country with a significant immigration characteristic, being the target country for both the legal and illegal migration of labour forces mainly from the transforming countries of Central and Eastern Europe and partly from Western countries.

- the number of foreigners legally employed in the Czech labour market reached 178000 people as of June 30, 1997 (73000 Slovak citizens working on the registration basis, 65000 people with labour permits, 40000 people with trade licences, i.e. approximately 3,5 per cent of the employed); the increasing trend has continued since 1993.

in thousands of people	December			June
	1993	1994	1996	1997
employees	51,6	72,1	143,2	138,7
entrepreneurs	x	18,7	45,4	40,0
total	x	908	188,6	178,7
of which: EU citizens				
employees	2,4	3,4	4,6	x
entrepreneurs	x	x	2,1	x

- the highest number of employed foreigners is in regions with high economic activity and low unemployment (Prague - almost 50000, i.e. 7,7 per cent of total employment, Mladá Boleslav, almost 10 per cent of total employment, in mining areas - Ostrava, Karviná, foreign entrepreneurs - particularly Vietnamese, concentrate in the German border area - Cheb, Karlovy Vary, etc.),
- according to citizenship: (excluding the Slovaks) there are 42000 Ukrainians, 13000 Poles, almost 6000 of the employed are citizens of the U.S., Germany and the U.K who either have their own businesses or are employed as middle-level or top managers.
- illegal labour migration of 80 to 100000 people includes both employment and enterprise - particularly Ukrainians, Russians, Vietnamese.²⁾

The growth of immigration and both the legal and illegal work of foreigners in the Czech Republic is motivated by the following factors affecting all the players involved:

- illegal employment of foreigners is economically advantageous for Czech businessmen because of lower wages, compared to the wages paid to Czech employees, and subsequently lower labour costs (this discrimination is generally tolerated)³⁾, higher flexibility, usability and also in many types of job the performance of foreigners (no family ties, willingness to work overtime, weekends etc.), and economies occurring as a result of the fact that mandatory insurance contributions are not paid, the safety of work costs and accommodation costs are lower, etc.
- for both the Czech businessmen and foreign suppliers (mediators) the legal and particularly illegal contracts for work are advantageous (the Czech businessman does not have, de jure, the obligations of an employer, the supplier violates rules and regulations to a lesser or greater extent and profits from the difference between the payment for performed work and paid out wages),

² For more details see the RILSA study carried out for MOP "Illegal employment and enterprise of foreigners on the Czech labour market", 1997

³ The calculation of wage levels required by the foreigners does not take into account official subsistence level and welfare that is the immanent basis of wages required by Czech employees; for more details see RILSA studies (e.g. "Social and economic motivation on the labour market for employing people from low-level income groups of the productive population").

- foreigners - employees are motivated by wages (their availability and exchange rate advantages)
- foreigners - entrepreneurs are motivated by the overall liberal conditions of the market, the opportunity to combine legal and illegal activities, low supervision and repression level, for a foreigner-entrepreneur it is easier to obtain a residence permit in the Czech Republic,
- legislation covering the employment and residence of foreigners in the CR is relatively liberal. It does not provide for conditions to be stipulated by by-laws, for limits to be set in terms of the number of foreigners either by professions or regions, it does not cover the employment of apprentices, etc. The authority of supervision bodies (labour offices) is limited, the level of sanctions (fines, criminal liability) is low.

Experience with international agreements on employing foreign citizens clearly shows, particularly in the case of agreements with Eastern European countries, that a coordinated and consistent approach by all parties involved in the employment or enterprise of foreigners is necessary since otherwise the above mentioned agreements do not have a regulatory effect. They rather complicate the situation on the labour market (increase of illegally employed foreigners, quasi-business relations that cover actual employer-employee relations, etc.). In this context it will thus be necessary to take remedial steps not only from the point of view of the CR's integration into the EU but also because of the natural requirement for stability and flexibility within the domestic labour market.

A specific legislation problem may arise if there is a time difference in the admission of the Czech Republic and the Slovak Republic into the EU. The current free inflow of Slovak citizens to the Czech labour market - regulated by mere registration - will have to change and the procedure adopted for third countries will have to be applied.

4. Expected Consequences of CR Integration into the EU

An analysis of the relationship between the economies, income levels and labour markets of the CR and EU from the point of view of potential impulses giving rise to the migration of labour forces between these two territories has revealed the following findings.

At present (1997), there is only a small migration movement (limited to single thousands of people) between the EU and CR which is more or less balanced, as far as the quantities are concerned.

The European Union applies, in relation to labour migration from the CR, the policy adopted towards other third countries; legal labour migration is limited by individual

permits, the closed labour market of the EU; participation of Czech citizens limited to seasonal work, scholarships and limited activity (quantitative) in construction. Every-day commuting has declined substantially. The Czech Republic applies, in relation to labour migration from the EU, the same liberal conditions as for other countries. The activity of people from the EU is concentrated in expert and managerial jobs and enterprise; the subjective advantage of this migration rests in the combination of “(west) European wages (income) and Czech consumer prices”.

Potential factors of labour migration (pro-migration and anti-migration impulses) in the period of preparation and implementation of CR's accession to the EU may be summarized as follows:

A. The level (rate), structure and duration (time) of unemployment in the CR has so far not created a large group of people potentially migrating to the EU for work because of the unavailability of regular income from legal gainful occupation in the home country. No significant changes are expected even in the medium-term perspective.

Unemployment in the CR has so far been relatively low, there is still quite high employment of women and two incomes from gainful occupation in households are frequent. From the medium-term perspective, the assumed (and occurring since 1997) growth of unemployment might increase the potential number of people migrating to the EU for work (to several thousand people); in fact the expansion will, however, be dampened by both the structure of the Czech unemployed (the large number of people with low qualifications and women) and the scope and structure of the unemployment and low demand for labour in the EU.

B. A fact representing a potential, substantial and long-term motivation factor (impulse) for labour migration of Czech citizens to EU countries is the difference between nominal and real values of wages (labour income) between the CR and the EU countries; the effects of this are influenced by many factors. The nature of the relationship is expressed by figures indicating average hourly wages in individual industries of EU selected countries and the CR⁴⁾ in 1995 (see the table):

⁴ The EU countries were selected in such an order as to include countries that might become target countries for the potential migration of Czech citizens (Germany, Austria, France) and countries with economic and income levels under the EU average and thus more similar to the CR (Spain, Portugal, Greece)

Country	Indicator											
	A		B		C	D		E		F	G	H
	Abs.	Rel.	Abs.	Rel.	%B abs.	Abs.	Rel.	Abs.	Rel.	N/DE M	N/DE M	F/G
Germany	108,0	2,63	25,08	9,12	37,4	15,70	7,37	15,70	2,09	1,000	1,000	1000
Austria	95,0	2,31	18,51	6,73	25,9	13,72	6,44	14,10	1,88	7,063	7,529	0,973
France	112,7	2,74	15,06	5,48	29,00	10,69	5,02	11,65	1,55	3,490	3,801	0,918
Spain	88,1	2,14	12,17	4,43	18,3	9,94	4,67	14,26	1,90	87,20	125,13	0,697
Portugal	45,4	1,10	5,20	1,89	17,9	4,27	2,00	7,48	1,00	104,80	183,08	0,571
Greece	49,7	1,21	7,77	2,83	21,7	6,08	2,85	8,71	1,16	161,96	231,93	0,698
CR	41,4	1,00	2,75	1,00	22,5	2,13	1,00	7,50	1,00	18,52	65,19	0,284

Source: Fassman, Unit Bank of Switzerland

Notes and explanations:

Indicators:

A-abs: annual productivity of labour (GDP per one employed), thousands DEM, parity of the GDP purchasing power

A-rel: productivity of labour, CR - 1,00

B-abs: gross hourly wage in DEM, conversion to national currencies based on the DEM exchange rate (1995 average rate)

B-rel: gross hourly wage, CR - 1,00

C - average taxation quota in % of the gross wage (sum of the average rate of the direct income tax and average rate of the employee's contributions to mandatory social security and health insurance)

D-abs: net hourly wage (gross hourly wage as stated in B-abs less the taxation quota)

D-rel: net hourly wage, CR - 1,00

E-abs: net hourly wage in DEM, conversion to national currencies based on the parity of purchasing power in relation to DEM (1995 average)

E-rel: net hourly wage in the parity of purchasing power of the currency in the CR = 1,000

F - exchange rate of the national currencies to DEM (1995 average)

G. parity of the purchasing power in relation to DEM (1995 average)

H. national level of consumer prices compared to Germany (exchange rate and parity of the national currency purchasing power to DEM) in 1995

The level of Czech economic development, expressed by the productivity of labour in the parity value of GDP per one employed person in 1995, oscillated around 40 per cent of the level of the most productive EU countries and around 80 - 90 per cents of the level of the least advanced EU states. The differentiation of wage levels (relative wage positions) reflects the mechanisms that are used by less productive countries to protect their local markets against the competition of advanced countries and to reduce the income motivation for the labour force to move abroad. The above mentioned conditions are due to:

1. Undervaluation of the national currency exchange rate compared to the currencies of productive economies which is reflected in the low relative position of national gross wages converted by means of the exchange rate.

The average gross hourly wage according to exchange rate conversion was in 1995 in the top productive EU countries 5,5 to 9 times, and in the less productive EU countries 1,9 to 3 times higher than in the CR.

2. Low taxation quota (sum of the direct income tax rate and the mandatory contributions to social funds paid by employees) makes the difference between the net wage levels in various countries lower.

The lower taxation quota in the CR, compared to Germany, Austria, and France, causes the lower differentiation in the average net hourly wage (converted by means of the exchange rate) a multiple of 5 - 7,4.

3. Substantial difference among the internal levels of consumer prices.

As the sources⁵⁾ indicate, the 1995 internal level of consumer prices in the CR did not reach even 30 per cent of the level in Germany (Western countries). The 1995 parity purchasing power of the average net hourly wage in Western Germany was two times higher than the parity purchasing power in the Czech Republic; the goods (services) whose price was 1 DEM in the CR would cost 3,52 DEM on average in Germany; the parity purchasing power of wages in other countries was even lower (in Portugal the parity purchasing power of wages was identical to that in the CR). Differences in the parity purchasing power of wages were lower than differences in the economic productivity (the "living beyond one's income" practice in the CR).

As long as there is a lower level of consumer prices (private consumption) in the CR, the difference in the real purchasing power of wages (labour income) is not significant enough (it does not exceed twice of the amount) to stimulate mass migration with long-term or permanent residence within an EU member country; the income difference (even if there are vacancies) would not outweigh the initial costs of migration, the uncertainty of finding a job and opportunities of promotion, language, qualification and other career risks. That applies to both the migration for the purpose of performing a similar job which the person performed in the CR and (sometimes even more) to "dequalification" migration, i.e. performing jobs with lower qualification requirements.

The substantial difference between the levels of consumer prices in the CR and the EU countries can neither be maintained for a long period of time nor accepted by the parties involved.

The integration of economies with such different productivities and value characteristics is risky for both sides (non-competitiveness of the Czech economy, unmet conditions for the Union funds, etc.). In the stage of preparation of the CR's

⁵⁾ The demanding nature of international analysis covering the relations of consumer prices, consumer baskets and habits is the reason why the evaluation of the exchange rate and purchasing power relations lead to more or less accurate estimates; the approximation for the CR is more difficult at the moment since the price levels and consumption structure change rather substantially and quickly.

admission to the EU, or rather, after accession, perhaps during some transitional period in the course of which the free movement of the labour force between the two territories would not be fully implemented, the current discrepancies in price levels must be lowered to a level which would not endanger economic and social relations between the Union and the CR (possibly, at the end of this stage the CR level of consumer prices should not be lower than 60 to 70 per cent of the level in Western Germany).

In the course of the ongoing transformation the levels of consumer prices in the CR and the EU have been gradually drawing closer (see the table).

	1990	1991	1992	1993	1994	1995	1996	1997
Average nominal wage	3286	3792	4644	5817	6894	8172	9676	10860
Annual index	1,037	1,154	1,225	1,253	1,185	1,185	1,180	1,122
Annual index of consumer prices	1,094	1,566	1,110	1,208	1,110	1,091	1,088	1,085
Annual index of real wage	0,948	0,737	1,103	1,037	1,077	1,087	1,085	1,034
Exchange rate CZK/DEM (annual average)	11,46	17,79	18,12	17,64	17,75	18,52	17,98	19,00
Relation of purchasing power parity and CZK/DEM exchange rate	4,70	4,80	4,66	3,88	3,62	3,52	3,25	3,00
Consumer price levels, CR, Western Germany	0,213	0,208	0,215	0,258	0,276	0,284	0,308	0,333
Average wage in DEM (exchange rate conversion)	287	213	256	330	389	441	538	572
Average wage in DEM (purchasing power parity)	1349	1039	1193	1279	1408	1552	1747	1716

Source: Fasmann CSU, 1997 data - RILSA estimation

The necessity of adjusting the price levels in the CR to those in the EU represents a fundamental impulse for economic and social policy in future. In order to ensure the economic and social acceptability of such price development and to prevent a substantial drop in the CZK exchange rate as well as in the real purchasing power of wages and other household incomes, and the growth of unemployment (in the long-term the unemployment rate should not exceed 6 to 8 per cent of the population able to work), the following is required:

1. growth of Czech economic productivity (productivity of labour per one employed) needs to overtake the growth in EU countries in total, while the decisive share of this increase should be generated by the growth of the real (comparable) volume of GDP,

2. growth of the real purchasing power of wages (total income of households) should not exceed the productivity of labour rate in the Czech economy; regarding the fast - disproportional - growth in real wages in 1994-1996, the productivity growth rate should be higher in future years,
3. growth of average nominal wages (income) should respect the "strong cap" given by the sum of the productivity growth and the growth of the consumer price levels; in the foreseeable future the optimal situation would be that this growth is lower than the top cap,
4. growth in consumer price levels should exceed the changes in consumer prices in the top EU countries (consumer price growth is around 2 per cent a year in these countries); a substantial part of the overall movement in prices should rest in removing the "historical" deformation of prices (particularly, energy, rents).

The implementation of this scope of economic policy by all parties and the actual development of the economy would, in the medium-term, allow for the integration of the Czech economy into the economy of the European Union without the risks of migration waves.

II. Social Security

1. Introduction

Since the integration process of Western European countries began, it was obvious that differences in the social security systems in the individual countries of the EEC (EU) were considerable and that they had, because of various historical, social, political and economic reasons, too deep national roots in individual societies to allow for a realistic implementation of measures aimed at the harmonization and convergence of the systems.

At present, there are two basic approaches for defining the role of social policy in European integration:

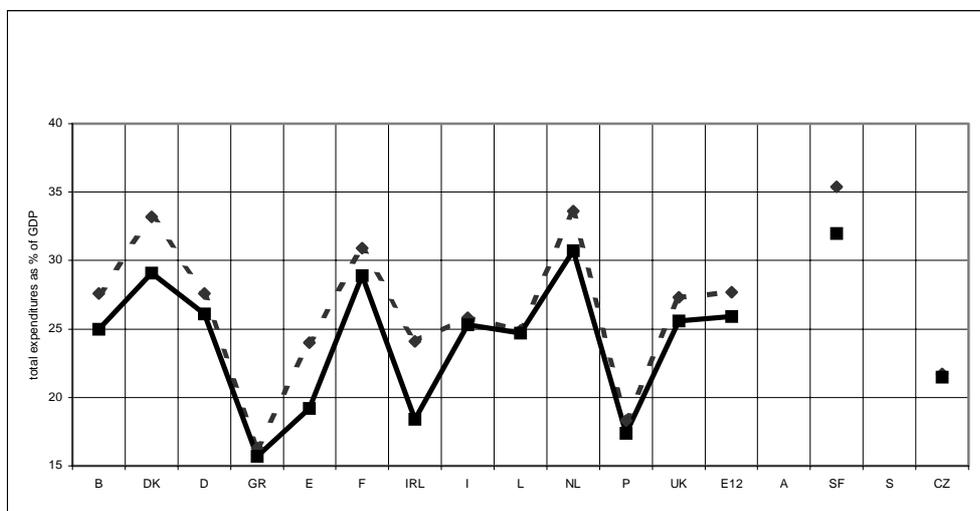
- the first one can be called, in simplified terms, the concept of European social citizenship. It stresses the social quality of Europe as a decisive factor which provides Europe with certain advantages, when compared to the rest of the world. Therefore this quality has to be strengthened and defined in the “European supra-national” manner.
- the second one may be called a functionalist concept and it is based on a narrow perception of social policy, while the key characteristic feature is coordination. The aim is to find the most suitable methods for maintaining national needs and social security systems whilst also developing the single economic space and the free movement of labour and people.

2. Social Security in the EU Countries and the CR’s Position

The complexity of evaluating level status of social protection in the EU countries individually and in the EU as a whole stems from the fact that the national systems of social protection initiate the integration process in an indirect way - by means of a gradual development of economic, political and civic space (environment) and also because the process of integration is long-term, has achieved different levels in various aspects of life and its intensity in individual countries also differs.

The general characteristics of the differences in social security in the EU countries are indicated in following chart (1995) - share of social expenditure as a proportion of GDP, both total and less unemployment benefit expenditure.

Comparison of Social Protection Expenditure including (higher values) and excluding (lower values) unemployment expenditure.



Source: Eurostat and RILSA

Notes and explanations:

B - Belgium, DK - Denmark, D - FRG, GR - Greece, E - Spain, F - France, IRL - Ireland, I - Italy, L - Luxembourg, NL - the Netherlands, P - Portugal, UK - United Kingdom of Great Britain and Northern Ireland, E 12 - 12 EU countries before 1993, A - Austria, SF - Finland, S - Sweden, CZ - Czech Republic.

The figure indicates the following:

The share of total expenditure for social security as a proportion of GDP varies substantially among individual EU countries (16 per cent Greece, 35 per cent Finland) and is unequally affected by unemployment expenditure (a large share of unemployment security expenditure in Denmark, Spain, Ireland, the Netherlands and Finland).

Dispersion of social security expenditure share as a proportion GDP is affected by national systems of social security, the structure of the systems in different regions and the socio-economic status of population which creates the need for social protection; it is obvious that in countries with high unemployment (in 1994 Ireland 15,8 per cent, Finland 18,2 per cent, Spain 24,2 per cent, see also data in chapter II, par. 6.3) the sources for other areas of social protection (old-age, sickness, family, etc.) are limited by expenditure on security for the unemployed.

The share of social security expenditure as a proportion of GDP in the CR is lower, when compared to the EU average (by approximately 6 per centage points). So far, however, unemployment expenditure has been only a marginal item in the total amount of social expenditure in the Czech Republic (in 1995 it amounted to

less than 1 per cent of the total expenditure of the social and health systems); the systems are oriented towards old-age security, handicapped people, family support and health care. The share of social expenditure as a proportion of GDP in the Czech Republic is basically comparable with that of the less advanced EU countries (Ireland, Spain, Portugal, Greece) which also have a below-average share of total social expenditure (16 to 24 per cents of GDP).

The following chart shows the relationships between the economic development levels of EU countries and the scope of social benefits. The following data is shown at the parity of purchasing power of the individual currencies per capita in 1992 (the countries are listed according to the parity level of GDP per capita):

	Gross Domestic Product		Social benefits x)	
	in thousands ECU a year	EU 12 = 100	EU 12 = 100	
Luxembourg	24 583	156	146	
France	17 676	112	116	
Belgium	17 299	110	107	
Austria	17 102	109	117	
FRG	17 080	108	126	
Denmark	16 669	106	118	
Italy	16 409	105	100	
the Netherlands	16 057	102	124	
Sweden	15 696	100	152	
UK	15 448	98	97	
Finland	13 754	87	118	
Ireland	12 246	78	57	
Spain	12 161	77	62	
Portugal	10 406	66	40	
Greece	9 613	61	33	
EU 12	15 783	100	100	

x) per capita
Source: Eurostat

What is crucial in ensuring the free movement of people within Europe and fulfilling the principle of equal opportunity, is the process of coordinating national systems of social security.

The aim of the coordination rules is not the establishment of a joint European social security system, member countries are still fully authorized to create their own programmes of social security. The goal of existing EU legal instruments in the area of social security is to allow for different systems and to create an opportunity for various claims to be filed against various institutions in relation to which the person enjoys direct rights under the national law or under the coordination rules within the Regulation.

National systems of social security are therefore not so much affected by coordination. They have to be changed only if they do not comply with the Agreement.

The European Regulations no. 1408/71 and 574/72 on social security stipulate the general coordination rules within European legislation which are exclusive and binding in the process of resolving these conflicts by means of an international system. These rules include:

the principle of one legislation, i.e. the rule that the legislation of only one state is applicable to a person.

The place of employment (state, on which territory this place is located) is used as a linking factor because the aim of the coordination rules is to connect social security with the legal system of a member country in such a manner as to make it as close as possible to the person and place; generally this is assumed to be the state where the person is employed.

the principle of non-discrimination - this principle ensures that in any Union country, foreigners - citizens of another EU country - are treated in the same way as citizens of that particular country.

the principle of social benefit exportability - this principle ensures that within the territory of the European Union, (among the member countries) benefits, which had been previously obtained, based on justifiable claims in individual countries, would be paid to the migrating persons.

the principle of adding up insurance time periods - this principle ensures that time periods, which serve as a basis for social benefit claims (or calculation), are added up in the EU countries.

3. Expected Consequences

We may summarize that the status of our legislation in the area of social security, when compared to that of the European Union and taking into account potential coordination, is at an acceptable level. Our country, as well as the EU states, has acceded to a number of international conventions on human rights, including the right to social security, and these conventions have already become a part of our legislation.

The procedures and overall level of social protection in our country also more or less corresponds to the standard mechanisms applied in the EU member countries. Costs to be incurred in relation to the integration process will be reflected at a number of levels. First of all, certain costs will be incurred in the process of creating new positions for cooperation with the EU. These costs, however, will be made up for by economies resulting from the fact that we will be able to adopt well-tried and tested procedures (short-term direct economies) without having to repeat the long process of searching for useful and rational solutions. In the process of developing cooperation with other countries, the quality of cooperation will change not only in economic affairs but also in social areas. Procedures will be unified and simplified as well as the adoption of new legislation and the application of the conditions for the free movement of people among EU countries. In this context we may expect an increase in administrative costs related to the central register of conditions and the exchange of information. At the same time operational costs will decrease as a result of the higher level of coordination, i.e. a better utilization of resources and the removal of losses.

From the point of view of social security quality it will be more and more difficult to maintain the real level of individual benefits. Considering the experience of EU countries, we cannot assume a stable economic development (e.g. at the level of 3 - 5 per cent of GDP). A higher level of cooperation, however, will mean better conditions for growth. As the continuation of socio-demographic trends affect the instruments of social security, the already achieved level of social protection will be difficult to maintain. Nevertheless, we need to assume that a decline and reduction in the Czech “welfare state” is unlikely and, in our opinion, also undesirable in the foreseeable future. We need to assume a gradual growth in the share of social expenditure as a proportion of the state budget and, probably, also as a proportion of GDP.

This trend can be mitigated only through maximum rationalization and the effective utilization of available instruments and joint searching for new methods of social policy implementation on the European level.

More specific consequences of CR integration into the EU in the area of social security may be expected as a result of accepting the coordination rules presented in the Regulations 1408/71 and 574/72.

In this context, a very significant issue is the insufficient (or perhaps inefficient) funding of social security system administration. Particularly regarding the Czech Social Security Administration (CSSA), we need to assume that large costs will have to be borne not only because of coordinating activities within the process of European integration but also for improving the efficiency of our own system, old-age security in particular. The danger of losing “retirement records” or the need for their complicated retrieval under present conditions, when many companies are being established and dissolved, is one reason for changes and modernization to take place in the area of administration.

A team of CSSA international department employees (50 people) with experience in bilateral agreements is well equipped with new technology and may possibly become a base to be expanded to form an office which might be able to ensure EU coordination, with a staff of 150 people.

Closer relations with regional labour offices will be necessary to provide for the efficient export of unemployment benefits.

Coordination in the area of family benefits may cause certain problems. Firstly, child benefits are determined by the income level, and secondly, these benefits are administered in the regions by local authorities at “contact points”.

On CR accession into the EU, a certain percentage of the estimated 250 000 people, who have emigrated since 1968 and some of whom today live in EU member countries, will be entitled to a partial old-age pension based on employment duration in the years before they left the country. The biggest wave of emigration occurred in 1973 - 74 and since the assumption is that the majority of these people were young and therefore short insurance period the number of applications for pensions after accession to the EU should be manageable. For practical reasons, however it is not possible to make any precise estimates unless we have detailed data on the age groups which left the country and the date of their departure. We can assume that the number will not exceed approximately 50 000 pension applications in the five years after accession to the EU.

The payment of benefits in other countries should not represent a significant financial problem for the existing system in the Czech Republic.

As far as health care coordination is concerned, the General Health Insurance Company should be able to deal with all issues related to refunds of health care costs. It is estimated, that the insurance company will need at least 50 qualified employees for its Prague headquarters. This team will be able to meet all coordination requirements.

A substantial financial burden is expected in relation to health care benefits. As the experience of Spain and the U.K. shows, 2 - 3 per cent of tourists require some form of emergency health care, while travelling in other EU countries. Spanish records show that each Spanish citizen, travelling to other EU member countries as a tourist, costs Spain 6 ECU in health care refunds. It is extremely difficult to differentiate between tourists who spend several nights in the country and those who cross the border for a short period of time only for the purpose of shopping. It is, however, clear that the number of people coming to the Czech Republic is three times higher than the number of Czechs travelling abroad. Given the differences in costs for health care it is likely that in the initial years of CR membership of the EU, the level of financial refunds will be balanced. Later, a total credit balance is assumed, since costs will gradually increase towards the EU average.

As far as CR participation in the TESS system is concerned, we can assume similar costs to those incurred in relation to participation in the EURES network. The most probable location of the TESS terminal is the international department of the Czech Social Security Administration. Provided this terminal has a computer link to the proposed coordination branch of the General Health Insurance Company, invoices for health care could be sent through TESS.

III. Labour Relations, Social Dialogue, Labour Safety and Protection

1. Introduction

In terms of labour relations, social dialogue and labour safety and protection (hereinafter referred to as “labour relations”) EU member countries have agreed on an integration concept which was formulated in the Amsterdam Agreement (June 1997)⁶. The Agreement⁷ substantially extends the provisions of previous agreements (EEC and EU Agreements) on social policy, containing basically all the provisions of the Social Agreement of 1993. The Agreement’s aims are focused on ensuring social rights as specified by the European Social Charter (1961) and the Union Charter on Employees’ Fundamental Social Rights (1989). The aim is employment support and the improvement of living and working conditions while maintaining the EU’s competitiveness.

2. Labour Relations in the CR, Labour Safety and Protection

Changes in labour relations have been focused on the liberalization and establishment of democratic social and market relations for many, particularly private entities in the economy. What is characteristic of the development and the present status of legislation, is the existence of a general system, institutional and procedural conditions for specific labour relations which are based on the agreement of the parties involved - employers and employees. This was the aim of the Labour Code amendments as well as of newly drafted laws (on collective bargaining and wages).

These regulations formulated collective labour relations within the concept which is applied in the law of EU countries; concept, institutions and procedures, that are common in European practice (Collective Agreement, contractual parties, mediator, arbiter, strike, etc.) have been introduced and have liberalized the wage-creation process in enterprises. Wages are set by means of collective or individual bargaining: an individually agreed wage must not be lower than the minimum wage (set by the government based on its legal authorization). Other limitations for wages (levels, structures, economic and personal links) do not exist.

⁶ Chapter 4 - Social Policy

⁷ Amsterdam Agreement is now (the beginning of 1998) being ratified by the EU member countries.

A new regulation in employment policy, the concept of which corresponds to labour market creation, has also been passed.

This regulation replaced the concept of the “right to work” by the concept of freely chosen and productive employment. The function of the state in influencing employment, labour market, protection of the unemployed and supervision over compliance with the related laws and regulations was defined both conceptually and institutionally. For this purpose a network of labour offices was established.

Changes that have already been implemented in the legal regulation of individual and collective labour relations and, in particular, employment policy have made the concepts, institutions and procedures of Czech labour law similar to legal systems in the EU. Therefore it is now possible to incorporate the majority of the current standards required by the EU guidelines into the framework of the existing system, or rather, the framework of the developed concept of new labour relations regulation. A more detailed evaluation has shown the following:

- in many binding (minimal or common) standards of labour conditions (working hours, rest hours, overtime work, etc.) Czech regulation meet the requirements of EU guidelines,
- there are certain sections of the regulation of labour relations which are required for the complete harmonization of the law and which are presently not included in the Czech labour law (employees' representation, guarantee institutions, for more details see par.4),
- the new concept of labour relations regulation (the new Labour Code) should not only include the minimum requirements (standards) under the EU guidelines but it should also express the basics of European regulations (concepts, definitions, institutions, procedures) and reflect the new trends in the flexible organization of labour relations and form their legal framework.
- as far as labour safety and protection is concerned, individual provisions (obligations as well as mechanisms) are incorporated in many laws and regulations of various legal force (laws, by-laws, technical standards, hygiene regulations) and from the point of view of the authorities, they are administered by different bodies within the state administration.

Expert analyses, as well as the findings of the state administration obtained from supervision activities, information from trade organizations and unions show that the most significant problem in the CR today is the fact that the actual status of labour relations does not correspond to the legal regulation of these relations. Thus the imminent task in the process of harmonizing social and economic conditions in the CR with EU status is compliance with legal requirements since a high degree of compliance and law enforceability is taken for granted in EU countries. An evaluation finds the general reasons for the current situation in:

- insufficient respect for legal provisions covering employment as regards employers in the interest of “dumping competitiveness” (both internal and external), “business survival” or the maximization of revenues (profits); i.e. reducing costs to a minimum by non-compliance with legal limits and protection instead of searching for other possible economies,
- low legal consciousness and knowledge of both employers and employees and subsequent (unintentional) violation of regulations,
- low degree and quality of relations between social partners (employers and employees) in defining labour relations.

3. Social Dialogue in the CR

Fundamental EU documents (Primary Law Agreements) emphasise the substantial role of social dialogue and contacts between social partners.

The standards of the EU guidelines specify the concept - as a minimum requirement - in such a way that employees have the right to be represented at negotiations with the employer in specific situations. Under the EU guidelines, the individual states are responsible for the regulation of employees’ representation in their legislation. The employees’ representation at negotiations with the employer (information and consulting with the aim of reaching an agreement) is required by EU guidelines in several areas of labour relations:

- in procedures preceding the collective dismissal of employees because of redundancy,
- in ensuring the employees’ rights in cases of enterprise transfers,

- in the area of labour safety and protection,
- in information and consulting of employees and employers in enterprises based within the EU.

The existing concept in the CR is based on the assumption that an association of employees for the purpose of defending their social and economic interests in employment is voluntary and that the form of this association is the employees' trade unions. An employer is obliged to negotiate with trade unions if these were legally set up by the employees. No other form of employees' collective representation exists and negotiations between the employer and the employees may be only of an individual character.

Summary information on legal regulations covering employees' representation for the purpose of negotiations with employers in individual EU countries (reports of the European Union Commission, judicature of the European Court) concludes that the situation in the CR resembles the present status of the U.K.; British legislation does not stipulate who is to be consulted if there are no trade unions in an enterprise (similar situation in Ireland). In 1994 the European Court declared the claim by the Commission (saying that the U.K. does not meet its obligations under the guidelines and the EU Agreement since it does not have mechanisms for appointing employees' representatives in enterprises where the employer refuses to recognise trade unions) justified.

Violation of the law and shortcomings in social dialogue are reflected in many aspects - e.g. shortcomings in employment contracts, in setting the regime of working hours (including overtime work) and records, in transferring the business risks to employees (lower or unpaid wages if the employers find themselves in financial troubles, non-payment of contributions to social security and health insurance, low degree of protection by means of collective agreements, etc.).

4. Consequences of Integration

The general socio-economic relations and the consequences of incorporating EU community law covering labour relations into the Czech legal system may be summarized up as follows:

- A. The prevailing trend will be that of limiting (reducing) the existing flexibility of the Czech labour market as a result of the above mentioned present non-compliance with legal regulations (to be limited or removed) in addition certain

minimum standards set by EU guidelines give more protection for employees than the existing Czech regulation, from the point of view of the content and/or institutions and/or procedures.. This applies, for instance, to employment relations, collective agreements and employment contracts should an enterprise be transferred, the adoption of the institution of employees' representation, collective dismissals and labour safety and protection.

- B. The total (social) costs of the labour force will increase both for individual enterprises as well as for the public budgets. A more substantial increase may be expected in the private business sector. The following areas of provisions within EU guidelines will probably be the main impulses for labour costs increase:

Protection of employees if the employer becomes insolvent (contributions to a guarantee institution, costs of this institution).

Ensuring labour safety and protection (requirements of the framework guideline and individual guidelines in the area of prevention and settlement of serious accidents, equipment in enterprises, costs of injuries and occupational diseases, inspection costs).

Adjustment of working hours (minimum 4 weeks of recovery holidays, one week rest).

Coverage of the increased costs of employees sent abroad for the purpose of providing services (guarantee of the employment terms and labour conditions applicable in the country of the job performance).

The change in total costs of labour related to the incorporation of EU guidelines in the area of labour law into the Czech legal system will equal to at least 1 - 1,5 per cent of the annual volume of these costs (1,2 - 1,7 per cent in private business, 0,5 - 1 per cent in non-profit organizations); with an assumed three-year period of the guidelines' implementation, the annual increase of costs would equal 0,5 per cent.

One way of understanding the increase in labour costs brought about by the adoption of EU guidelines as a factor that reduces the competitiveness of Czech business' is in fact justification of the dumping approach to competition on the EU single market (lower costs as a result of lower social and legal protection and a lower level of labour conditions than the standards of the EU). Costs related to the adoption of the guidelines are costs for the "cultivation" of the labour market in the Czech Republic based on the principles and standards accepted by the EU. The effect of these costs on the competitiveness of the Czech economy is a partial aspect of the mutual relationship between overall productivity and labour costs.

C. The legal regulation of labour relations (labour conditions and terms, rights and obligations) and the actual situation will be in harmony as a result of:

A more accurate definition of labour conditions and the rights of employees and employers which are included in the EU guidelines (e.g. procedures for collective dismissals because of redundancy, working hours, rest time, etc.).

Better enforceability of rights affected by the assumed extended supervision activity of local state administration bodies as well as the EU authorities (regular reports presented by the national governments to the EU authorities, verdicts and decisions of the European Court, etc.).

D. Incorporation of the labour relations standards contained in the EU guidelines into the Czech legal system will be demanding from the social, economic, legal, institutional and financial point of views to different extents. The reason is the different levels of the existing legal regulations and practice in the Czech Republic and the standards of the EU guidelines, and the complex nature of that relationship. The implementation may also be influenced by differences in political and ideological concepts. The most demanding preparation and implementation will probably be in the following areas:

- representation of employees in negotiations (information, consulting) with employers,
- protection of the employees' rights in case of the employer's insolvency,
- measures for increased labour safety and security.

To develop the European culture of relationship between social partners means to ensure respect for social dialogue at all levels – enterprise and trade unions (industry). As is the case in EU countries, dialogue and agreements between contractual partners represents an alternative to detailed regulation of labour relations in law. It allows for flexibility and may play an important role in influencing the reasonable development of wages.

As far as social dialogue is concerned, if we want to be in harmony with Community law, we have to set up procedures for appointing or electing employee representatives in enterprises without trade unions, define their authority in negotiations with employers as well as their relationship to trade unions; the

adoption of EU directives on employees' representative bodies and the system of information and consulting in enterprises, is a partial aspect.

The protection of employees' rights in case of the employer's insolvency is based on the concept of preventing the business risks being transferred to the employees. The basic concept is the establishment of a guarantee institution which would, under the rules for its establishment and funding and operation set by the state, cover the claims (wages, in particular) of employees of an insolvent employer.

The adoption of standards dealing with the protection of employees in case of the employer's insolvency brings about a complexity of relationships. It will require, in particular, the following:

- **legal** - substantial changes in labour law (Labour Code, Employment Act), bankruptcy law and social security law,
- **institutional** - one of the existing organizations will have to be authorized to perform the functions of a guarantee institution (e.g. labour offices, insurance companies) or a separate institution will have to be established,
- **financial** - funds for covering the defined financial claims of employees of insolvent enterprises to the necessary extent and with protection against misuse,
- **social and economic** - maintaining a regular income for employees. As opposed to full claims corresponding to agreed wages, certain limitations may be determined in terms of the level and time span for protected claims.

As far as labour safety and protection is concerned, the adoption of EU guidelines will also be demanding, because it will require a conceptual approach including a complexity of legislation and institutional and procedural measures to be taken. These measures will generate additional costs for both private business and the state budget. The changes resulting from the adoption of regulations on labour safety and protection include:

- **legislation** - adoption of a legal regulation (by means of substantial amendments to be made in the Labour Code or by means of a separate act) that

would provide for the application of the EU framework guideline as well as subsequent guidelines setting out more detailed standards. The specific measures include:

- prevention and settlement of serious accidents,
- nomination of employees' representatives concerning the issues of labour safety, expert safety services and labour medicine,
- injury insurance,
- adoption of certain provisions for technical standards (having the character of recommendations);

- **institutional and procedural**

- coordination of conceptual, legislative and methodological activities of state administration bodies,
- employees' representatives for labour safety, their training as well as the training of all employees,
- rationalization (integration, coordination) of state expert supervision over labour safety and protection.

IV. Equal Treatment

1. Introduction

The equality of men and women is recognised as one of the fundamental principles of democracy. The European Council declared in Essen (December 1994) that equal opportunities for men and women is, together with the struggle against unemployment, the priority of the European Union.

2. Equal Treatment in the CR

Under the Charter of Fundamental Rights and Freedoms, which is a part of the Czech Republic's constitution, fundamental rights and freedoms are ensured to every person, regardless of sex (section 3, par.1). No person's right may be violated of exercising fundamental rights and freedoms (section 3, par. 3). Under section 28, employees are entitled to fair compensation for their work and for satisfactory labour conditions (details are stipulated by law).

Apart from these constitutional principles there is no other definition of equal opportunities in Czech law. Generally speaking, Czech law does not contain any direct discriminatory features and laws with the highest legal force guarantee fundamental rights to everyone. Based on this it is assumed that equal opportunities exist in the Czech Republic. In practice, however, there are indications that the equal opportunities concept is not always respected (discriminatory employment advertising, substantial differences in the income of men and women, there is no judicature that would revive the principle and promote its attainability in the public consciousness).

Social changes that have occurred in the Czech Republic since 1989 have brought about particularly the following aspects in the social status of men and women:

- A. the overall decrease in economic activity (employment) of the population and the fluctuation in unemployment in 1990-1997 included more women than men (the influence of the industry and qualification structure),
- B. the position of women on the labour market is more burdensome, regarding their household and motherhood duties;
 - higher and longer-term unemployment of women,
 - higher percentage of women performing simple, low-qualified jobs and subsequent dismissals as a result of rationalization,

- higher percentage of women (about 1/4) works part-time,
- the average wage of women is approximately 77 per cent of that of men; this difference in wage levels exists at all educational levels.

3. Consequences of Integration

All EU guidelines prescribe that a person who feels wronged as a result of non-compliance with the obligations stipulated by the guidelines (mostly on the employer's side), have the right to seek justice at court. Under section 36(1) of the Charter, everyone may seek justice at an independent court and, in specific cases, also at other bodies. The rights, as formulated in the EU guidelines, should also be incorporated in regulations other than the constitution itself. Nevertheless, so far there is no judicature, nor precedence cases available in the issue of equal opportunities.

Incorporation of the EU guidelines on equal opportunities into the national legal system will undoubtedly require many amendments of the existing law. The amendments will be mainly of a supplementary character (removal of discriminating provisions will be exceptional and will deal only with marginal issues). There is also the alternative of having a separate act regulating the issue of equal opportunities as a whole, as is the case in the U.K. or Germany. The partial amendments and supplements will apply to:

- to some extent, the Labour Code (e.g. unification of parents' leave for the purpose of taking care of a child and the differentiation of this time-off from regular maternity leave),
- the Act on Wages and the Act on Salaries - introduction of the principle of equal compensation for jobs of the same value and ensuring the enforcement of this principle (legal regulation, agreements of social partners, supervision, sanctions),
- Collection of Regulations on Employment (prohibition of discriminating advertisements applicable to both the employer and mediator, violation should be sanctioned).
- Certain amendments will also be required in the civil judicial rules.

As far as social protection is concerned, the authority to determine the retirement age (differentiation for men and women or the same age for both) rests with individual states; some countries have already unified the retirement age.

In the majority of member countries the implementation of equal opportunities policy required the establishment of special institutions or bodies. Also in the Czech Republic we will have to consider this possibility. Regardless of its form (an existing institution, a permanent commission, a special office) the institution should have such authority to be able to effectively support the legally regulated equal opportunities. It should have the authority to accept claims for discriminatory treatment, to provide legal support and to participate in the research of issues related to equal opportunities. A certain hierarchy and the establishment of similar institutions on regional levels may be assumed. An effective instrument for establishing close contacts between this institution and the public may be cooperation with non-governmental organizations and foundations.

The adoption of the national equivalent of the equal opportunity concept, either by its incorporation into the existing law or by drafting a separate act, would have support from below - people would refer to these provisions. In such a manner a legal environment of equal opportunities would be established and the Czech Republic would rank among standard countries of the EU in this respect. One of the fundamental principles of EU law would thus be ensured. There will also be moral consequences, since this measure would represent another step on the way to a civic society free from the traditional model of societal arrangement. The process of overcoming these traditional models will take some time, however, both legal and non-legal instruments created on the basis of the Guidelines on equal opportunities may have a positive effect and may considerably shorten the "transitional" period.