

## THE CZECH TRIPARTITE COUNCIL AND ITS CONTRIBUTION TO SOCIAL PEACE\*

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*An exceptional level of social accord and political stability has accompanied radical economic reform in the Czech Republic since 1989. Although political cultural and economic explanations are often used to account for this, the author makes an institutional argument and demonstrates the Czech tripartite councils central contribution to the construction of social peace. The Czech tripartite council was created as part of a government strategy of consensus. It gave the trade unions a forum for interest representation, became the peak of a new system of collective labor relations, and defined a role for trade unions to play in the new society.*

social partnership, trade unions, social accord, government strategy, social peace

*Izjemna stopnja družbenega soglasja in politične stabilnosti je v Češki republiki od leta 1989 spremljala radikalne ekonomske reforme. Čeprav se za razlago obeh pogosto navajajo politično-kulturni in ekonomski vzroki, se avtor opredeljuje za institucionalne vzroke in pokaže na osrednjo vlogo češkega tripartitnega sveta pri vzpostavljanju socialnega miru. Češki tripartitni svet je nastal kot del vladne strategije konsenza. Sindikatom je dal prostor za predstavitev njihovih interesov, postal je vrh novega sistema kolektivnih delovnih razmerij in opredelil vlogo sindikatov, ki jo igrajo v novi družbi.*

socialno partnerstvo, sindikati, družbeno soglasje, strategija vlade, družbeni mir

The literature on corporatism suggests that tripartite bodies are Janus-faced. From one side they look like mechanisms of interest representation, and on the other like instruments of state control. This dual nature, some might say contradiction, of the tripartite institution is present in Philippe Schmitter's distinction between "state corporatism" and "societal corporatism".<sup>1</sup> Al-

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though Schmitter intended these categories to function as Weberian ideal types, in practice both state control and societal interest representation are present in all tripartite bodies, creating a persistent tension.

This tension pervades the Czech tripartite Council for Economic and Social Accord (RHSD), which has been variously interpreted as a great success at engineering social harmony during the Czech transition and as embodying a monumental failure of the trade unions to play a significant role in the transformation process. Some researchers have portrayed the tripartite as a form of "social pseudo-partnership"<sup>2</sup> and see it mainly as a clever trap the Czech state has laid for a weak labor movement. Other authors take a less negative view, examining the benefits Czech trade unions derive from participation in the tripartite body.<sup>3</sup> Has the tripartite council contributed to social accord in the Czech Republic? And have the trade unions been disempowered by participation in the government strategy of consensus? These central issues expose the tension between interest representation and state control manifest in the Czech tripartite.

### Social Accord as a Government Strategy

The Czechoslovak government, perhaps more resolutely than any other government in the region, attempted to create a social consensus around the program of radical economic reform in 1990. The government strategy was outlined in the "Scenario for Social Reform" that was approved by parliament in September 1990 along with the fundamental "Scenario for Economic Reform". The social reform document outlined a package of social policies, employment policies, legal reforms, and institutional innovations specifically intended to "soften the accompanying shocks" of the economic transformation.<sup>4</sup> This combination of social and economic reforms, exceptional in the region, forms the core of the Czech "small miracle" that Prime Minister Vaclav Klaus defines as the "relatively very quick, very successful and relatively painless and non-conflictual transition from a communist society to a free and open society and a market economy".<sup>5</sup> The specificity of the Czech experience and the consequent political success of Klaus' government are based on the implementation of a "painless and non-conflictual transformation".<sup>6</sup>

The Czech Republic is unique among the post-communist countries of Central and Eastern Europe in the level of social peace that has characterized its socio-economic transformation. The Czech Republic has experienced only a handful of strikes since 1989, while Poland was riddled by more than 300 strikes in 1993 alone (7,362 if each school strike is included individually).<sup>7</sup> The Czech trade unions' quiescence can be explained, in part, by an unemployment rate that stands below 4%.<sup>8</sup> Thanks to the policies of social consensus, Vaclav Klaus's neo-liberal government has maintained 50-60% popularity since June 1992, while his personal approval rating has fluctuated between 60-70%.<sup>9</sup> Government popularity in Hungary, Slovakia, and Poland has only occasionally reached these levels. The Klaus government remains the most successful and, after the recent Polish and Hungarian elections, the only neo-liberal government in the region.

The Czech experience defies the conventional wisdom that radical economic transformation is impossible in a new democracy without severe social tension and discord. One prominent theo-

retical proponent of this idea is Adam Przeworski. In *Democracy and the market*, Przeworski argues that societies naturally tend to protect themselves from exposure to disruptive market forces. Przeworski predicts a start-stop-start cycle of economic reform and social reaction in Central and Eastern Europe.<sup>10</sup> Neo-liberal economic reformers will seek to implement deep but painful market reforms; societies will react against market reformers and vote in social-democratic oriented parties in the next elections, who promise to protect society from market forces. When the reforms slow to a standstill, voters tempted by promises of radical change may opt for a new round of reforms.

This start-stop-start cycle may well be occurring in Poland, where neo-liberal Solidarity reformers were replaced in September 1993 by a coalition of the Union of the Democratic Left and the Peasant Party. Both left-oriented parties promised voters refuge from the most painful aspects of market reform. Pensioners were promised increased pensions; farmers were promised increased subsidies. The Czech Republic has so far avoided the cycle of reform and reaction by constructing a durable consensus for reform.

### Explaining Social Peace

The explanations generally used to account for the relative social tranquility of the Czech transition can be divided into three groups: political cultural, economic, or institutional. Perhaps the most prominent structural explanation is a political cultural argument that the Czechs have a very disciplined and consensual democratic political culture.<sup>11</sup> According to this view, social partnership and consensual, non-confrontational decision-making comes naturally to the Czechs. There are many variations on this argument, many of which contain some truth. To the extent that such political cultural arguments are correct, it is possible to view the tripartite council as an institutional expression of the Czech policy-making style and try to evaluate its functions in achieving agreement.

The second group of arguments emphasize the relative economic prosperity of the Czech Republic in comparison with other Central and East European countries. Again, the range of economic arguments is broad: the Czech Republic is historically more prosperous and has a long history of successful capitalist industrialization; the Czech Republic had a far lower per capita foreign debt than other post-communist countries and therefore had a much better starting point for its transition; the enormous tourist revenues from the millions of foreigners discovering Prague have vastly improved the Czech balance of payments; the geographic position of the Czech Republic, surrounded by prosperous Germanic and Western countries (Germany and Austria), has alleviated unemployment and brought increased business opportunities. All of these structural arguments end in the statement that the Czech Republic has enjoyed more favorable economic conditions, significantly alleviating the post-communist social crisis.

Political cultural and economic explanations contain elements of truth. Nonetheless they remain at a very high level of abstraction and fail to explain the Czech social consensus in terms of actual policies, institutions, and actors. They ignore the possibility that policies, institutions, and actors

## *THE CZECH TRIPARTITE COUNCIL AND ITS CONTRIBUTION TO SOCIAL PEACE*

determine the social peace and the conditions for its continuation. If these structural arguments are correct, then the existence or non-existence of a tripartite council should have no bearing on the level of social accord. This position, however, makes little sense when one looks at the structure of government-trade union relations, since decisions that may protect or threaten social accord are constantly being made.

The institution of the tripartite council played an important role in the strategy of social accord. According to one deputy minister involved in the creation of the tripartite system, the tripartites quickly proved to be extremely effective and timely measures, because they gave the parties time to organise, pass through the necessary initial period of confrontation and learn how to negotiate and cooperate in finding solutions to social problems in the interest of all the parties concerned.<sup>12</sup>

The tripartite system made three significant contributions to social accord in the Czech Republic. First, it facilitated the creation of a corporatist system of labor relations in the Czech Republic. Secondly, the tripartite structure created the necessary conditions for the low-wage, low-unemployment policies that the Czech governments has pursued into 1994. Thirdly, the tripartite council created a forum for discussion, debate, and even compromise on social and labor policy.

### **What is the Council of Economic and Social Accord?**

The Council was founded on October 10, 1990 on the basis of a voluntary agreement among the three "social partners": the government, trade unions, and employer associations.<sup>13</sup> Each year the Council negotiates a General Agreement that sets the policy agenda and general wage agreement. The Council holds monthly plenary sessions as well as meetings of its presidium and working groups. The plenary session is the tripartite's main negotiating body, comprised of seven representatives from each side, as well as a restricted number of consultants and advisers. The trade unions are represented by six members of the Czech and Moravian Chamber of Trade Unions (ČMKOS) and one member of the Confederation of Arts and Culture. The government is officially represented by seven ministers, although it is common for their advisers and assistants to represent them in negotiations. The employers are represented by the chairmen of seven different employer associations and unions, grouped together into a loose Coordinating Council of Business Associations.

The government is required to submit all important legislation affecting trade unions, employees, and social policy to the tripartite council before submitting it to parliament. Other social partners may also submit material for discussion, including draft laws, but this is less common. In the discussions of the working groups and the plenary session, an attempt is made to reach consensus positions on "material for discussion", which often consists of draft laws or government policies. "Material for information", often analyses of the course of the economy or social policy, is also discussed and evaluated. The plenary session is not required to reach consensus on material for discussion. If it does reach consensus by a unanimous vote, then the agreement is considered "binding" on all parties, although it has no legal status, but rather that of a "gentlemen's agreement". If no consensus is reached, the government is required to report the positions of the other social partners when it presents the legislation or program to parliament.<sup>14</sup>

The tripartite council fulfills two functions in the institutional and legal framework of the Czech state. First, it provides a forum for the discussion of government legislative and programmatic initiatives among the social partners. Secondly, it plays an important role in the system of collective labor relations in the Czech Republic, through indicative wage bargaining and negotiations that affect the structure of employer-employee relations. In this way, the tripartite has been central to the low-wage, low-unemployment strategy of the Czech government. Both functions have played an important role in the construction of social peace.

### Corporatist System of Labor Relations

The Czech Council of Economic and Social Agreement is the peak organization of the country's corporatist system of collective bargaining that was elaborated in the Collective Bargaining Act of 1991. Written with strong trade union and International Labour Organization participation, the act was negotiated through the tripartite itself. In conjunction with the Act on Wages of 1991 and the much-amended Labor Code, the Collective Bargaining Act completes a system of labor law in the Czech Republic generally favorable to the trade unions.<sup>15</sup> Czech workers enjoy relatively strong protection against job dismissal. Trade union bargaining power and the right to strike are protected in accordance with the norms of the International Labour Organization (ILO).

The Czech Republic has a three-tiered corporatist system of collective bargaining. At the highest level sits the national tripartite council. The tripartite concludes a yearly General Agreement that sets basic wage guidelines and the agenda for council negotiations during the following calendar year. Collective bargaining at the national level involves four basic components: setting indicative real wage growth levels, defining minimum wages, negotiating real wage growth limits, and making explicit wage agreements for workers in the "budgetary sector". The Czech Republic has 750,000 state employees<sup>16</sup> whose wages are set by laws that must be negotiated in the tripartite council. Minimum wages and excessive wage taxes are set by government decree, in accordance with the amended Act on Wages. Indicative wage growth levels have been negotiated and included each year in the General Agreement.

Below the national level are branch-level or regional-level collective agreements between associations of employers and branch trade unions, called "collective agreements of a higher level". The government is not involved in the negotiation of these branch collective agreements. Instead they are concluded between associations of employers and employees and merely registered with the Ministry of Labor and Social Affairs. In reality, branch-level collective agreements are not reached in every sector of the economy. In 1993, 30 such branch agreements were registered, out of approximately 40 branches of the economy.<sup>17</sup> Branch bargaining structures are extremely varied and still in a developmental stage in many areas. Vladislav Flek, in the most detailed account to date of branch collective bargaining in the Czech Republic, writes, "On the one hand there is a relatively strong organizational structure of the branch trade unions. On the other hand, due to the governmental wage regulation and the lack of large private employers in industry, this structure so far has not started to function".<sup>18</sup> It must be noted that private employers and associations of private employers are both new, post-1989 phenomena in the Czech Republic and

## *THE CZECH TRIPARTITE COUNCIL AND ITS CONTRIBUTION TO SOCIAL PEACE*

as a result employers' associations are much less well organized and probably also less representative than the trade unions. In many cases, branch trade unions "practically assisted in the establishment of the employer organizations because they wanted to find partners for collective bargaining".<sup>19</sup>

The real condition of enterprise-level collective bargaining is unclear, even to the trade union central itself. In mid-1994 ČMKOS was conducting a study to determine how many businesses exist in the Czech Republic and how many had concluded collective agreements with their employees. Opinion polls show that 53% of "economically-active" Czechs are members of a trade union, although only 22% of employees of private companies reported being union members.<sup>20</sup> Such statistics indicate that the trade unions face enormous challenges in organizing employees from a rapidly growing number of private enterprises. Nonetheless, enterprise-level collective agreements appear to be the norm in many Czech companies. The question for the future is how well trade unions will make the strong collective bargaining system that exists on paper work in practice.

The system of labor relations that was negotiated in the tripartite council, and that includes the tripartite as its peak organization, represents a significant compromise. By creating a legal framework for effective collective bargaining, the Czech government avoided trade union protests, gained labor's cooperation in tripartite consultations, and thus protected social peace at a key moment of the transformation. The trade unions were heavily involved in drafting collective bargaining legislation, and threatened to strike when dissatisfied with government legislative drafts.<sup>21</sup> The government backed down and agreed to produce labor legislation that conformed with ILO conventions and international norms, and even allowed employee representation in private companies. Under the Czech system of "co-determination", Czech employees elect one-third of the representatives to the supervisory board of any Czech company with more than 50 employees. The supervisory board acts on behalf of shareholders and employees to oversee the work of the executive board that, according to Czech company law, is a company's main decision-making body. The Czech trade unions, for their part, supported enterprise privatization, as long as they were able to gain a collective bargaining role and some board representation in the privatized enterprises.

### **Low-Wage, Low-Unemployment Policies**

The corporatist system of labor relations, which itself constituted an important compromise between the government and trade unions, made possible a further compromise: trade union acquiescence in the low-wage, low-unemployment, and low-inflation policies of the Czech government. These government policies have been crucial to the construction of social accord. In November 1993, Vaclav Klaus stated his belief that wage control and the undervalued Czech crown were the "two cushions" of economic reform. "Real wages and the real exchange rate in this phase must be relatively low to create the two cushions allowing a spanning of the not insignificant period of privatization and restructuring."<sup>22</sup> Klaus argues that wage restraint allows marginal workers to remain employed, while an under-valued crown allows marginal exporters to continue their trade,

and incidentally to maintain employment. In the keynote speech at the recent trade union congress, he said, "In its own economic and social policy the government works for the maximum possible welfare of all our citizens and for the highest level of employment, because we are conscious of the unhealthy and dignity-degrading nature of high, and long-term, unemployment. I believe that each of our fellow citizens and each of our trade unionists sees the achievements of our country in the post-November (1989) development".<sup>23</sup>

Wage restraint has been pursued effectively in the Czech Republic because it was negotiated in the context of the tripartite council. According to PlanEcon, a highly-respected economic analysis firm, dollar wages in the Czech Republic "dramatically lag behind Hungary and Poland (by nearly 40% and over 20%, respectively) as of late 1992 despite much higher level of development of the Czech economy relative to that of Hungary or Poland".<sup>24</sup> While wage restraint is common in East-Central Europe, popular and trade union acceptance of this policy is exceptional. In Poland, the *popiwek* excess wage tax has been a major cause of strife between the trade unions and successive governments. In the Czech Republic, trade unions have never mobilized to oppose the excess wage tax, although the labor representatives in the tripartite have publicly opposed wage controls since 1992.

Wage controls are a relic of central planning. While wages have been liberalized to a significant degree, the labor market remains highly state-controlled in the Czech Republic. Under the old system, each job was categorized and the wages for each category were administratively determined each year. This system still continues for state workers, whose wages are set through a special yearly law on state employment. In 1991, along with price liberalization, the government took the first guarded steps towards the creation of a labor market. However, the government's obsession with preventing inflation dictated that it would retain a strong role in limiting wage growth. Price liberalization in 1991 was expected to create a substantial expansion in the consumer price index. In order to prevent these one-time price increases from causing a wage-price spiral of inflationary expectations, the government sought to limit wage growth to below the inflation rate. In the short run, this would cause a drop in real wages. In the long run, real wages were expected to grow gradually to catch up.

The Czech government used the decree powers of central planning to implement a tough wages policy. Decree 15/1991 forced every state and private enterprise with 25 or more employees to remain within a wage growth limit set by the government or be subject to a tax penalty. This wage restraint was negotiated and agreed in the context of the tripartite, leading one observer to remark that "anti-inflationary wage regulation accompanied by a significant fall of real wages for 1991 was the only tangible outcome of the Czechoslovak tripartite system".<sup>25</sup>

The 1991 wage restraint worked extremely well; too well, in fact, from the trade union perspective. Inflation in 1991 reached 60% and real wages dropped precipitously, by approximately 26%.<sup>26</sup> Trade unions, under pressure from their membership, demanded an end to wage regulation in 1992. However, in January 1992 the government managed to pass through parliament the Wages Act 1/1992, which while extending the range of unions' collective bargaining powers, also gave the government the power to set excess wages tax by decree. These decrees must, in princi-

## *THE CZECH TRIPARTITE COUNCIL AND ITS CONTRIBUTION TO SOCIAL PEACE*

ple, be negotiated and agreed in the tripartite council. The final decision, however, rests with the government.

Tripartite negotiation of government wage tax decrees has given the council some influence over government policy. The experiences of 1992 demonstrate exactly how much. Disputes over the system of wage regulation through an excess wage tax continued through the first quarter of 1992 and delayed the signing of the General Agreement for that year. At the end of March, the trade unions threatened not to sign the General Agreement until the wage regulation issue was resolved.<sup>27</sup> It was not resolved until April 22, when the tripartite agreed to a wage tax based not only on inflation, but rather linked to enterprise profits as well. In addition, the new wage regulation exempted most private firms and joint ventures with more than 30% foreign ownership.<sup>28</sup> The General Agreements in 1993 and 1994 provided for real wage growth, but wage limits were kept in place, and even strengthened in the wake of a dramatic growth in real wages in the latter half of 1992 that frightened government policy-makers. Wage control was re-extended to cover all private enterprises with more than 24 employees.<sup>29</sup> In the fall of 1994, the tripartite was debating a timeline for ending wage regulation, in conjunction with the conclusion of the second wave of privatization. The government has always promised an end to wage regulation once privatization is complete. Now, it appears to want to dilute this promise. Even if the Czech government decides to remove regulation at some point in the future, it retains its power under the Act on Wages to re-impose wage policies by decree whenever it judges necessary.

### **Active Labor Market Policies**

In addition to low-wage policies used to reduce the level of unemployment in the Czech Republic, the government has implemented effective active labor market policies that help the unemployed find new jobs quickly. An important priority for the trade unions, these policies were negotiated through the tripartite, which also supervised their administration. Active labor market policies include retraining programs, jobs programs, and other forms of government intervention in the labor market designed to increase its efficiency and to reduce unemployment.

In February 1991, the Czech Republic enacted tripartite-approved legislation that created a number of programs to be administered by a new network of district labor offices established in 1990. District offices were mandated to provide "socially purposeful jobs" (long-term), "publicly useful jobs" (short-term), jobs for new graduates, and retraining from a budget provided by the Ministry of Labor and Social Affairs. Socially purposeful jobs include assistance to new entrepreneurs and new job creation with existing employers. Employers who create and maintain socially purposeful jobs for one to two years receive a subsidy from the district labor office. Publicly useful jobs, lasting up to six months, normally involve some type of community service work, from street cleaning to small building projects. The labor offices had almost complete discretion in allocating funds.



In 1992-93, at any given time the number of people employed through the various jobs programs ranged from 100,000 to 140,000, making up about 2% of total employment. The Czech government spent 1.7 billion crowns (\$58 million) on active labor market policies in 1992.<sup>30</sup> The district labor office system in the Czech Republic, efficiently computerized and sufficiently staffed, is the most successful in the region.<sup>31</sup> Active labor policies were an important element of the 1991 General Agreement in the Czechoslovak tripartite council and in subsequent agreements at the republic level. These policies represented a response to trade union concerns about unemployment, and were explicitly designed to retain labor's support for the program of economic reform.

### Forum for Social Discourse

In the overall interest of "preserving social peace", the tripartite council was intended to allow the social partners to "participate in the formulation and implementation of economic and social policy".<sup>32</sup> In practice, participation has been limited. While willing to discuss its plans in the tripartite forum, the government has not compromised on core elements of its policy. Nonetheless, the tripartite has provided a forum for limited compromise and policy-making on issues of lesser importance to the government. Tripartite discussions can even lead to small modifications of government policy on important issues like the excess wages tax, as discussed above. Important examples of policy-making in the tripartite include the negotiation of energy policy, in which employers took the lead, and in the creation of a new system of workplace health and safety regulations, where the trade unions appear to have had a major impact. Trade unions have also participated in the programs to assist regions threatened by long-term unemployment.

The struggle over pension reform, however, demonstrates the social partners limited influence on certain key issues of reform. It proved impossible to reach a compromise over the new pension system in the tripartite. The trade unions consistently recommended a system of industry-based collective pension insurance, which was rejected by the government during tripartite sessions in September 1993. The government proposed the creation of individual, private pension plans, funded in part by a state contribution. The trade unions disagreed with this program in the tripartite, insisting that collective pension insurance was necessary to insure a sufficient basic pension to all.<sup>33</sup> The trade unions want mandatory employer contributions to any additional pension insurance plan, and objected strongly to the government proposal for basic pension insurance that would provide less than 50% of the average wage.<sup>34</sup> These disagreements within the tripartite are noted when the program is presented to parliament, but the trade unions have failed to make a significant impact on this and other vital areas of social policy reform.

### The Self-Limiting State

The concept of social peace, the founding of the tripartite, the new system of collective bargaining, and consultative policy-making were not supported by then Finance Minister Vaclav Klaus<sup>35</sup>, but rather reflected the priorities and strategies of the more social-democratic members of Civic Forum, the umbrella anti-communist movement that splintered in 1991. The institutions of social

*THE CZECH TRIPARTITE COUNCIL AND ITS  
CONTRIBUTION TO SOCIAL PEACE*

consensus were founded in 1990 and 1991 under the first democratically-elected government of Prime Minister Marian Čalfa. Minister of Labor and Social Affairs Petr Miller, who later entered the Czechoslovak Social Democratic Party and Prime Minister Čalfa, a communist party member until 1990, were the major supporters of the conciliatory stance toward the trade unions. Klaus, at the time, strongly opposed the social policies of consensus, and Minister Miller reports scores of loud arguments between himself and Klaus at cabinet meetings which Miller and his allies apparently won.<sup>36</sup>

Despite his original opposition, Klaus as Prime Minister has been willing to uphold provisions of the social consensus negotiated by the first government in order to prevent a union-sponsored social explosion. The Klaus government has taken a carrot and stick approach toward the trade unions and the tripartite. As long as the trade unions restrain their protest activity to the forum of the tripartite, they receive the "carrot" of corporatist labor relations. On the other hand, the government lashes out at the unions whenever they attempt to mobilize.

Klaus has very strong ideas about economic reform, so at any one time there are a number of priority issues of socio-economic policy that the government has developed and does not wish to compromise. The government is happy to discuss its plans with the social partners, and to incorporate certain changes in the details, but it is not really prepared to allow the social partners to influence policy priorities. The trade unions have no choice but to accept government decisions. In exchange, the government is willing to regard the trade unions as "social partners", and to respect the tripartite structure as a model of social accord.

The Klaus government has not to date launched a major attack on the trade unions, their prerogatives, or their strong formal role in society. This tolerant policy seems strange in light of Klaus' neo-liberal views and it has prompted labor leaders to wonder why Klaus has never attempted to crush the trade unions as Ronald Reagan or Margaret Thatcher did. Richard Falbr, then vice-president and now president of the ČMKOS, said in a September 1993 interview, "I dislike the behavior of some representatives of the government, but I must say... that the government - with the exception of the proposed law on state employees - has not taken, till now, any concrete steps against the trade unions. The methods to knock the unions on the head are many. The English are excellent at this and I have the impression that our government knows it... I will not be surprised when the government begins to take some anti-union steps, because I do not know why we should expect something else".<sup>37</sup>

### Trade Union Mobilization: The Line in the Sand

While Klaus remains within certain boundaries in attacking the system of collective bargaining, he engages in vitriolic public tirades to intimidate the trade unions whenever they attempt to leave the calm forum of the tripartite council and take their grievances to the street. Since Summer 1993, the trade unions have twice attempted public protests of government policy and have encountered the same tough response from Prime Minister Klaus.

The first clash occurred in August 1993 when the unions used the opportunity of a half-yearly tripartite evaluation of the 1993 General Agreement to launch what looked like a public campaign to declare opposition to government policies. Vladimir Petrus, then president of ČMKOS, gave a newspaper interview in which he accused the government of breaking the 1993 General Agreement and threatening social peace.<sup>38</sup> The trade unions detailed their position in a document entitled, "Viewpoint of the trade unions towards the fulfillment of the General Agreement of the Czech Republic", that was submitted to the tripartite.<sup>39</sup> In this document and in the proceedings of the tripartite plenary meeting on August 19, the trade unions drew their line in the sand. The document stated that the unions did not consider the work of the tripartite to represent real consultation; that consultation often begins after the government has already reached important cabinet decisions; that materials submitted by the unions are treated as informational statements and not as debating points. Besides these procedural points, the document includes a long list of substantive points in which the 1993 General Agreement was not upheld.

The document caused an angry reaction from Vaclav Klaus, who went himself to the plenary meeting of the tripartite to debate the trade union position.<sup>40</sup> The government and trade unions clashed on the five key issues of tripartite discord in 1993: wage regulation, the minimum wage, pension insurance, injury insurance, and the broadening of branch collective agreements. Recognizing the serious nature of the controversy, the government and the trade unions agreed to intensive negotiations to resolve these issues as soon as possible. The government was prepared to upbraid the trade unions, not to cancel but to intensify tripartite negotiations. The trade unions appear to have agreed to continue to work within the structure of the tripartite negotiations.

Several plausible explanations could account for the decision of the unions not to mobilize during the summer of 1993. It was mid-August and trade union members were probably on vacation. Perhaps the trade unions honestly believed that the government would improve the level of negotiations. Trade union leaders may also have been afraid of the consequences of the outburst by the Prime Minister and decided to back down.

The August conflict seems to have re-affirmed Klaus' *modus operandi* of answering union calls to arms with strong rhetoric designed to force the unions to back down. For this is exactly the strategy that he used in March 1994 when the trade unions announced their first mass mobilization in protest against government policy since November 1989. However, in March 1994 Klaus' plan appears to have backfired. Calling the trade unions an "irresponsibly extremist movement" and declaring that "demogogy of this type is not acceptable"<sup>41</sup>, seemed excessive to most Czechs, including to President Vaclav Havel, who publicly defended the right of trade unions to protest in a democratic society. Klaus further compared the peaceful demonstration on Staromestske namesti on March 23, 1994 to the demonstration in 1948 in which Klement Gottwald proclaimed the communist coup, an absurd claim especially since the Czech trade unions are independent of any political party.<sup>42</sup> Debate raged in the press for several days. In the end an opinion poll showed that 57% of Czechs approved of the trade unions' demonstration.<sup>43</sup> However, the trade unions failed in their immediate objective when the parliament approved an unpopular amendment to the labor code that increased the pensionable age.

*THE CZECH TRIPARTITE COUNCIL AND ITS  
CONTRIBUTION TO SOCIAL PEACE*

The weeks following the demonstration brought a shift both within the trade union movement and in government policy. The April trade union congress elected a new president, Richard Falbr, head of the confederation of state employees, who was expected to take a more confrontational approach towards the government than the compliant former president Vladimir Petrus. Switching from his confrontational approach at the end of March, Prime Minister Klaus agreed to give the keynote speech at the trade union congress and used the opportunity to deliver a relatively comprehensive policy statement on labor relations. Klaus emphasized that trade unions should seek to represent only their own members and mainly at the enterprise level, therefore questioning the validity of branch and tripartite-level bargaining. At the same time, Klaus spoke the language of social peace, saying:

"The government seeks a basic consensus of the citizens in the fundamental issues of the present and the future and it is conscious of the fact that the trade unions play in this an exceptionally important role. Therefore we respect the existence of the Council of Economic and Social Agreement and we will try also in the future to negotiate in this context, even though the role of the government (and the state) as an employer, thanks to privatization, is changing in a fundamental way. We will continue to make suggestions for further changes and shifts in the tripartite negotiations, but I would like here, before you, to emphasize that we are not calling for a revolution, nor for radical changes. Further differences of opinion in these matters are therefore not, in my opinion, necessary to dramatize".<sup>44</sup>

Falbr, for his part, predicted the advent of a more conflictual period in government-labor relations as the government continues its Thatcherite policies and the trade unions begin to more aggressively represent the interests of its members.<sup>45</sup>

The tripartite structure and negotiations are now in a state of flux. The 1994 General Agreement is a very different, and much less specific, document than its predecessors. The government does not want to be held to specific policy compromises made in the General Agreement and has stated that it wants to reduce its role in the tripartite altogether now that the state has reduced its role as an employer through privatization. The government wishes to send "experts" rather than government ministers to tripartite negotiations, and eventually to change the council into a bi-partite collective bargaining organization, where the government plays the role of arbiter and consultant. Added together, these changes indicate that the uneasy compromise that has protected social peace up to now may in fact unravel, or be re-constituted on a newly-renegotiated basis.

### Have the Trade Unions Been Disempowered?

Peter Rutland concludes his analysis of workers' responses to the market transition by arguing that "Vaclav Klaus' combination of radical economic policies and cautious social policy seems to have emasculated the trade unions both politically and economically".<sup>46</sup> He points to the trade unions' inability to find effective political allies in parliament, a consequence of the weakness of the left and the unwillingness of trade unions to be identified in the public mind as post-commu-

nist. The government strategy has resulted in profound political isolation for the trade unions, low wages accompanied by low levels of union mobilization, concerns about the loyalty of trade union membership, and the failure of the trade unions to exercise any influence through the institutions of "sham corporatism".

The trade unions' success or failure should, however, be evaluated in light of their objectives during the transition. Wages in the Czech Republic are lower than in any country in East-Central Europe, except for Slovakia.<sup>47</sup> But the trade unions made full employment a central part of the trade unions' platform in 1991<sup>48</sup>, at that time supported the government limits on wage growth, and have achieved the lowest unemployment rates in Europe.<sup>49</sup> Low wages should not necessarily be considered a failure for an egalitarian labor movement. Fritz Scharpf, a prominent German social democrat, argues in his ground-breaking work on the crisis of social democracy in Western Europe that, "full employment cannot be recovered through strategies that are painless for the clientele of the labor movement... If it can be solved at all, it is through a redistribution of existing work opportunities and working incomes at the expense of the great majority of those who are presently employed".<sup>50</sup>

In their program for the years 1994-98, the trade unions reaffirmed their commitment to "a rapid transformation of the Czech economy to a modern market economy primarily relying on private ownership..." Simultaneously they are placing great emphasis on the social dimension of economic development and on the social acceptability of its consequences.<sup>51</sup> Their pursuit of the strategy of social consultation and negotiation through the tripartite has undoubtedly contributed to the speed of the transformation and has arguably had a positive effect on its social consequences as well. The Czech trade unions cannot, therefore, be accused of failing to attain their own goals. But did the trade union strategy of cooperation in the tripartite lead to their disempowerment?

The Czech trade unions did not emerge from the communist period in a particularly powerful position to begin with. Unlike Poland or Hungary, no independent trade unions developed in Czechoslovakia before 1989. The trade union movement remained a centralized transmission belt for the wishes of the party, though in 1990 the old leadership was replaced by the leaders of the revolutionary strike committees that sprang up in November 1989 to support the popular demonstrations on Wenceslas Square. In the popular mind, however, the trade union movement remained a *stara struktura*.<sup>52</sup> The renamed Czech and Slovak Chamber of Trade Unions (ČSKOS) transformed itself into a more loose, federal structure, partly in reaction to the un-democratic centralism of the previous union structure, and partly the result of the autonomy concerns of the Slovak members. As a result of this de-centralization, inherited by the Czech and Moravian Chamber, decision processes of the chamber are cumbersome.<sup>53</sup>

The loose structure of the trade union chamber, combined with the controversial nature of the transformation itself, led to significant differences of opinion within the trade union leadership. From 1992 to 1994, the Czech trade unions were led by the moderate Vladimir Petrus, who viewed the government reform strategy as "the key to the prosperity that could make the unions long-term objectives realizable".<sup>54</sup> Under Petrus, strong support for the government reform strategy,

## THE CZECH TRIPARTITE COUNCIL AND ITS CONTRIBUTION TO SOCIAL PEACE

shared by the majority of the trade unions' members, was accompanied by a strategy of pursuing social guarantees solely through the forum of the tripartite. A strong, but minority, group of trade unionists was very dissatisfied with this policy. Some believed, for instance, that the trade unions should reject the government program and ally with the social democratic party to support an alternative economic program. Others wanted the trade unions to promote worker buy-outs as the primary method of privatization.

Falbr's election as president seems to have marked a shift toward a more professional, organized, and assertive chamber, though Falbr remains firmly against allying with any political party. The trade unions have improved their internal organization, replacing the 38-member "council" where each union had one vote with a new leadership body, the *snem*, in which member organizations are represented according to size. This has simplified decision-making while aligning ČMKOS policies more closely with those of the largest and most powerful trade unions. The professionalism of labor representatives in the tripartite has also seemingly increased. Union representatives report significant success in influencing the drafting of the new Law on Employment.<sup>55</sup>

The Czech trade unions have not been unwise to accept the implicit social contract offered to them through the tripartite council. Although the trade unions had very little influence over privatization, wage control, and liberalization policies of the government during the crucial period of transformation, it enabled them to carve out a place for themselves in the new society. At the April 1994 congress, the trade unions explicitly acknowledged that "the Law on Collective Bargaining has created space for improvement of labour, social and wage conditions of employees".<sup>56</sup> The degree to which the trade unions are able to take advantage of these opportunities will depend on their ability to organize workers in the private sector and to represent them effectively in collective bargaining at the enterprise, branch, and national levels.

### Interest Representation in a Liberal State

Since 1989, the Czech government has exercised extraordinarily strong control over its economic and social policy agenda. Despite the existence of the tripartite council, the government has rarely compromised on core policies with the trade unions or the nascent employers' organizations. Nonetheless, trade unions and employer interests have been represented through the tripartite to a limited extent. The tripartite forced minor changes on important government initiatives and had a considerably stronger voice on issues of lesser prominence. The discourse in the tripartite, while not always resulting in agreement, allowed all sides to remain in constant contact, creating a fuller mutual understanding of priorities and objectives. Moreover the tripartite itself, as the central organization in the Czech system of collective bargaining, symbolizes the trade unions' new role in society.

In the process of democratization, the government has created a space for trade unions to represent their members' interests at work and in national politics. Under communism, the party-state directly controlled organizations and associations that, under the First Republic, had aspired to free representation. The post-communist Czech state has renounced direct control of civil soci-

ty, but its withdrawal has been carefully structured. Rather than leave behind a vacuum, post-1989 governments have defined new roles both for the state and for the associations of civil life, including the Czech and Moravian trade unions. Rapid economic reform demanded a certain degree of social coordination. The Czech state therefore created a system of consultation and collective bargaining acceptable to both sides. The Czech state remains exceedingly strong. The future of the tripartite and the system of labor relations in general will depend on the evolution of government priorities, the maturation of private capital, and the development of trade unions' organizational capacities.

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*THE CZECH TRIPARTITE COUNCIL AND ITS  
CONTRIBUTION TO SOCIAL PEACE*

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*THE CZECH TRIPARTITE COUNCIL AND ITS  
CONTRIBUTION TO SOCIAL PEACE*

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