
STITCHED UP CZECH REPUBLIC

National Research
Report for 2015

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Simerska for NaZemi

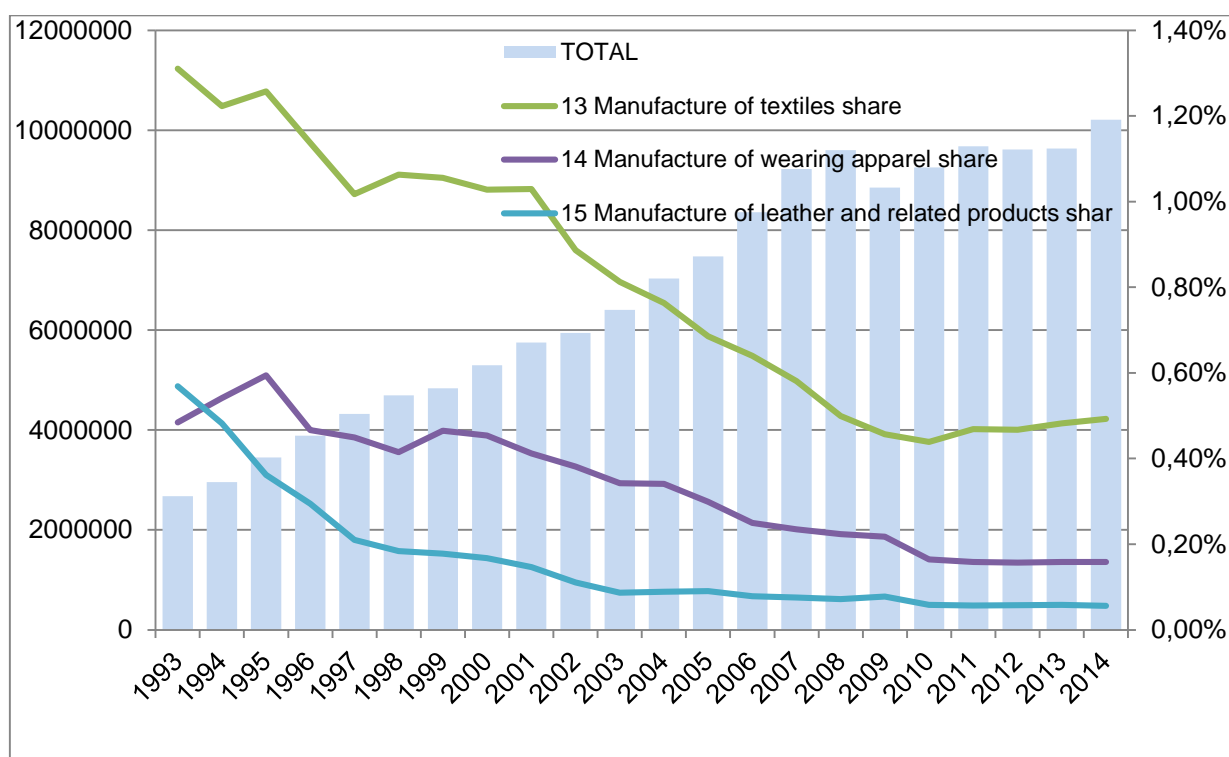
1. Overview of the Garment Industry

A. The Industry's Economic Indicators: GDP and Exports

Historically, the garment industry formed a fundamental part of the country's industrial production. But during the last 20 years, it has been suffering from the impact of globalization and some negative impacts of privatization, and as a result it has lost its export markets, 50% of its production capacity, and about 100,000 jobs.¹

The garment, textile, and leather industry segments' contributions to the GDP are 0.49% for textile production, 0.16% for apparel, and 0.06% for leather manufacturing and related. The decline of the industry's share of GDP stopped in 2011; it has been stable since then, with the textile segment actually slightly growing.

Graphic: Garment Manufacturing's Contribution to the National Economy in 1993-2014



Data source: Czech Statistical Office, "Indicators of production accounts and generation of income accounts" time series, September 2015

¹ Strategy of the textile and clothing industry for 2025, Social dialogue in the textile and clothing industry. Study under project CZ.1.04/1.1.01/02.00013, Project title: Strengthening bipartisan dialogue in industry segments.

Table: Garment manufacturing's contribution to the national economy in 1993-2014

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
TOTAL in mil. CZK	2674717	2956210	3448190	3889731	4323910	4693317	4837244	5295529	5752764	5944170	6402789	7035158	7474608	8358377	9223289	9603919	8849287	9258166	9681827	9614583	9635294	10210030
13 Share for textile manufacturing	1.31%	1.22%	1.26%	1.14%	1.02%	1.06%	1.06%	1.03%	1.03%	0.89%	0.81%	0.76%	0.69%	0.64%	0.58%	0.50%	0.46%	0.44%	0.47%	0.47%	0.48%	0.49%
14 Share for apparel manufacturing	0.48%	0.54%	0.59%	0.47%	0.45%	0.42%	0.47%	0.45%	0.41%	0.38%	0.34%	0.34%	0.30%	0.25%	0.24%	0.22%	0.22%	0.16%	0.16%	0.16%	0.16%	0.16%
15 Share for leather/related manufacturing	0.57%	0.48%	0.36%	0.29%	0.21%	0.18%	0.18%	0.17%	0.15%	0.11%	0.09%	0.09%	0.09%	0.08%	0.08%	0.07%	0.08%	0.06%	0.06%	0.06%	0.06%	0.06%

Data source: Czech Statistical Office, "Indicators of production accounts and generation of income accounts" time series, September 2015

Recent Trends²

The Czech Republic's Textile, Clothing, and Tanning Association ("ATOK" below as per its Czech acronym) periodically provides information on the latest industry developments. ATOK collects data for companies with more than 20 employees. They state that in comparison with the same period last year, sales in the first half of 2015 in textiles and clothing combined rose by 1.1%, while in the clothing sector significant growth was registered—9.7%. Sales in textiles remained basically on the same level as last year.

The dynamic of increasing sales in the textile and clothing industry has slowed, due mainly to the absence of growth in the textile industry. The reason for this situation can be found in the reduction of international stability, which has affected some of the destination countries for the Czech textile industry. Likewise, this has resulted in zero growth for textile-good exports. If we look at the continents individually, we can see that this situation has been driven by the collapse of the African markets, which saw a 25% drop in exports compared to the previous year. One positive finding is that textile companies as a whole have managed to cover this fallout via other exports, particularly to North America, which has seen exports rise by 28%, to Asian countries, where exports grew by 3%, and within Europe (0.5% growth), which is an absolutely fundamental market for Czech textiles. As for the clothing industry, it saw a promising sales increase (9.7%) in the first half-year. This sales growth has quite logically been accompanied by an increase in the amount of exports (9.8%), and it is only desirable for this trend to persist.³

Investments

As a part of its financial support for private investments, the Czech Republic provides several aid programs for both Czech and foreign investors. These programs focus on a variety of areas of business and are financed from European Union structural funds – from the Enterprise and Innovation and Human Resources and Employment Operational Programs – as well as from the Czech Republic's national budget in the form of investment incentives. Between 1998 and 2015, a total of 21 garment industry investment projects have been

² Economic Development of the Textile and Clothing Industry in the First Half of 2015; Press release by the Prague office of ATOK (The Textile, Clothing, and Tanning Association), 17 August 2015

³ Economic Development of the Textile and Clothing Industry in the First Half of 2015; Press release by the Prague office of ATOK, 17 August 2015

supported (out 951 projects overall). Incentives have been paid out to only two investors during the last 5 years.

In 2014 the Czech government's "CzechInvest" Investment and Business Development Agency reached agreements with foreign and domestic investors on 147 investment projects, four of which were in the textile industry. These four investments produced a value of 2,982,420,000 CZK and created 609 new jobs. To compare, the total 2014 investments mediated by CzechInvest have an aggregate value of nearly CZK 87 billion and were to have created more than 16,000 jobs, mostly in the Moravia-Silesia and Ústí regions, which have long suffered from high unemployment.

See Annex 1 for a complete overview of all subsidized garment industry investments.

Foreign Trade⁴

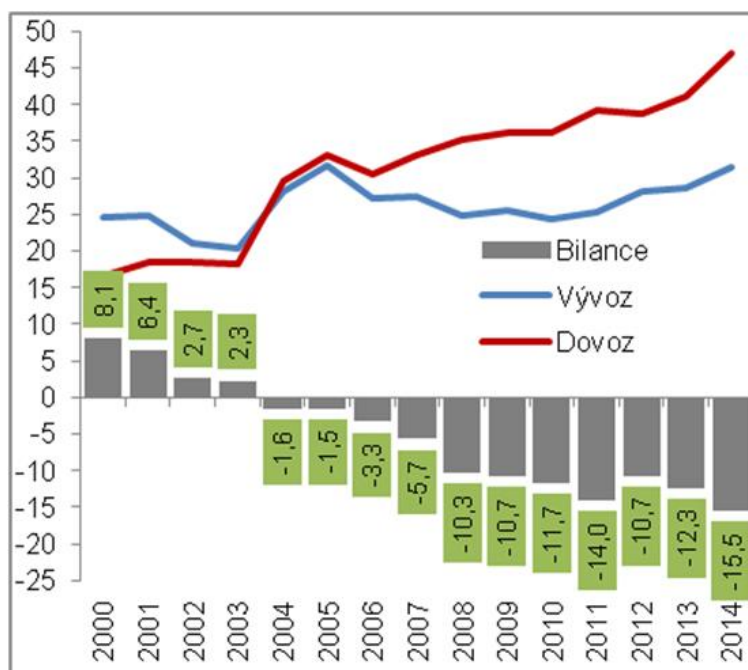
Czech imports have long surpassed exports – especially in the clothing sector.

Textile goods exports in the first half of 2015 totaled 33.931 billion CZK, while clothing exports totaled 16.025 billion.

Textile goods imports in the first half of 2015 totaled 33.384 billion CZK, while clothing imports totaled 25.112 billion.

In the hope of cutting costs, some Czech companies have moved production abroad.

Graphic: Overall foreign trade balance for textiles and clothing in bn. CZK, 2000-2014

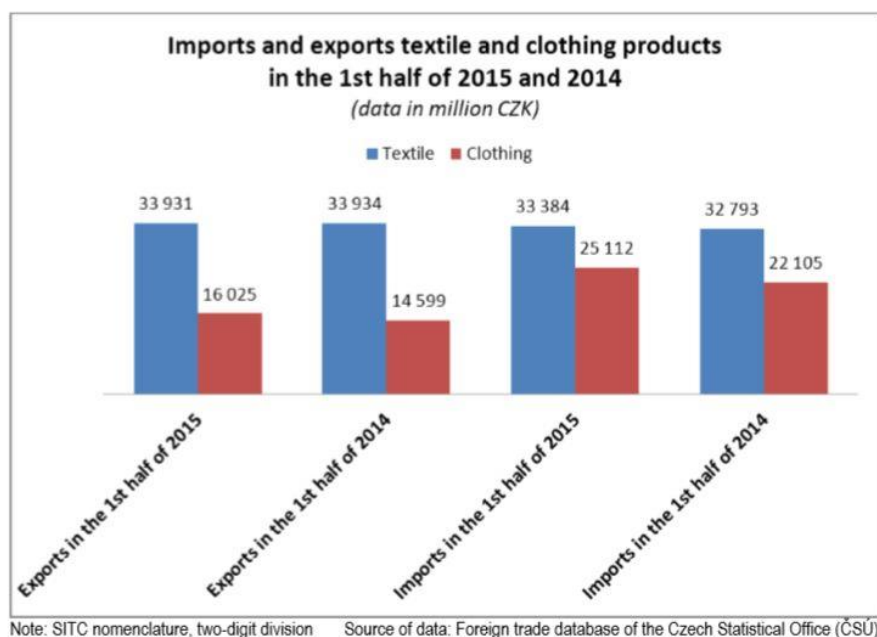


Source: Czech Statistical Office

The largest clothing supplier is China (33%), followed by Bangladesh (12%), Turkey (10%), Germany (9%), and Italy (5%). The largest textile supplier is Germany (28%), followed by Italy

⁴ 2013 Statistics Yearbook for the Czech Textile, Clothing, and Leatherworking Industry, source: ATOK

(9%), China (8%), and Belgium (6%). As regards exports, the most significant market for both textiles and clothing is the EU – particularly Germany (28%), followed by Italy, Poland, Slovakia, Austria, and France.



Foreign trade in the 1st half of 2015		
Compared to the same period of the previous year, common prices		
<u>Exports</u>		
Textile	▲	+ 0 %
Clothing	▲	+ 9.8 %
<u>Imports</u>		
Textile	▲	+ 1.8 %
Clothing	▲	+ 13.6 %

B. Industry Structure

In 2013 there were 399 companies active in the garment industry. This figure includes only companies with 20 or more employees, and only those whose main production focus is garments. There has been a trend of decline in garment manufacturing companies since 2004 – a 55% decline between 2004 and 2014. Not all companies have necessarily closed down; some have simply changed their production focus.

According to ATOK⁵, the number of entities with 20 or more employees in the textile and clothing industry rose somewhat in the first half of 2015. However, we cannot be certain whether this increase in the number of entities was caused by new entities starting up or, for instance, by existing companies gaining employees and thus joining the ranks of companies

⁵ Economic Development of the Textile and Clothing Industry in the First Half of 2015; ATOK press release, Prague, 17 August 2015

with 20 or more employees. As another example, a company's core activity may have changed from trading to manufacturing, causing it to newly be included in the statistics.

The textile segment is the most successful and progressive within this industry.

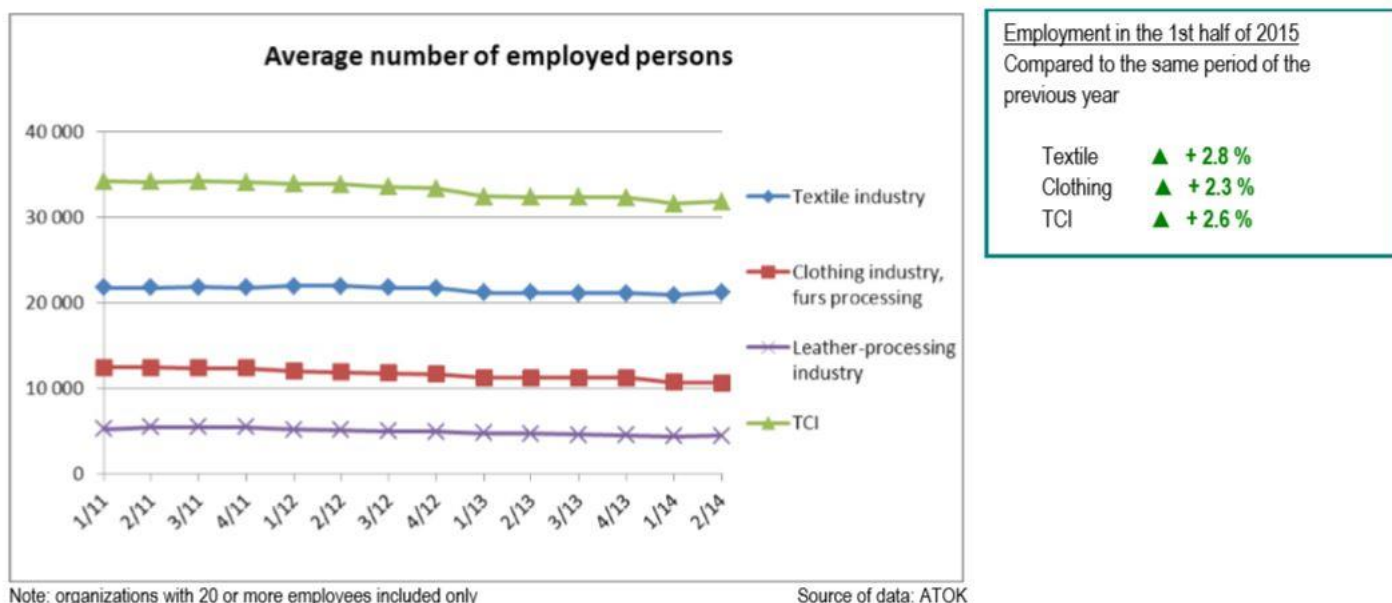
The ownership and market focus of the companies is mixed, ranging from Czech only to foreign only.

C. Employment and Workforce Composition (as of December 31st, 2014)

Employment in the garment industry overall, measured as the average number of persons employed in organizations with 20 or more employees, totaled **32,700 persons** by the end of the first half of 2015; this represents a 2.6% increase in comparison with the same period in the preceding year. Employment in the **textile industry** registered an increase that brought it to **21,800** persons, which is 2.8% more than in the previous year. A similar tendency was also identified in the **clothing industry**, where a 2.3% increase, up to 10.9 thousand persons employed, occurred in comparison with the preceding period. ATOK estimates that the clothing industry employs another 20 thousand people in companies with less than 20 employees – a category not covered by official statistics. This is also a potential area for gray-market employment and unlawful practices.

Employment data disaggregated by gender is not easily available. However, it is certain that the garment industry follows labor market's general trends for both horizontal and vertical gender segregation. In other words, women form the majority in the cutting, sewing, and ironing jobs, while men are found working in technical positions and in connection with machinery.

This industry employs some number of foreign (migrant) workers, but there is no official data about these workers.



D. Geographical Spread and Export Zones

Geographically speaking, the Czech textile industry occupies a wide swath of the northern part of the country. The clothing industry, meanwhile, is more spread out throughout the country with more production centers in the south and in Moravia.

Graphic: Textile, clothing, and leather manufacturing in the Czech Republic



Source: Hájková, M. Hospodářské mapy České republiky pro školní atlas pro základní školy. Brno: Masaryk University, 2012.

E. Strengths and Weaknesses of the Garment Industry

According to the National Training Fund⁶, it is likely that the worst is over for the nation's traditionally strong textile, clothing, and leather industries. However, the sector is still facing severe import pressure, and its future depends on its capacity to provide for a major increase in labor productivity – which is still insufficient – and to target the functional and industrial textiles segment (technical textiles and smart textiles). Out of the 18 largest textile producers, 10 are focusing on technical textiles.

The textile, clothing, and leather industries have a weaker research understructure than most industries, and this weakens their demand for highly skilled workers, as well as the sector's overall innovation potential. Cooperation between enterprises and research institutions in putting research and development findings into practice should also be strengthened. Other weaknesses include, for example, a focus on the manufacturing portion of the product chain, which has a low added value and is the most exposed to the influence of cheaper foreign competition. However, there are marked signs of improvement as regards all these weaknesses.

⁶ The National Observatory of Employment and Training, National Training Fund, o.p.s. (http://www.budoucnostprofesi.cz/sectoral-studies/industries-development/06_textile--clothing--leather-and-footwear-industries.html), accessed in September 2014.

Textile manufacturing education has seen decreased interest on the part of potential students. This is currently causing problems for companies that need to replace retiring workers. Enterprises are now facing an insufficient supply of candidates with vocational certificates and with upper secondary and tertiary education. The point here is that these are the qualifications that form the foundation for future competitiveness.

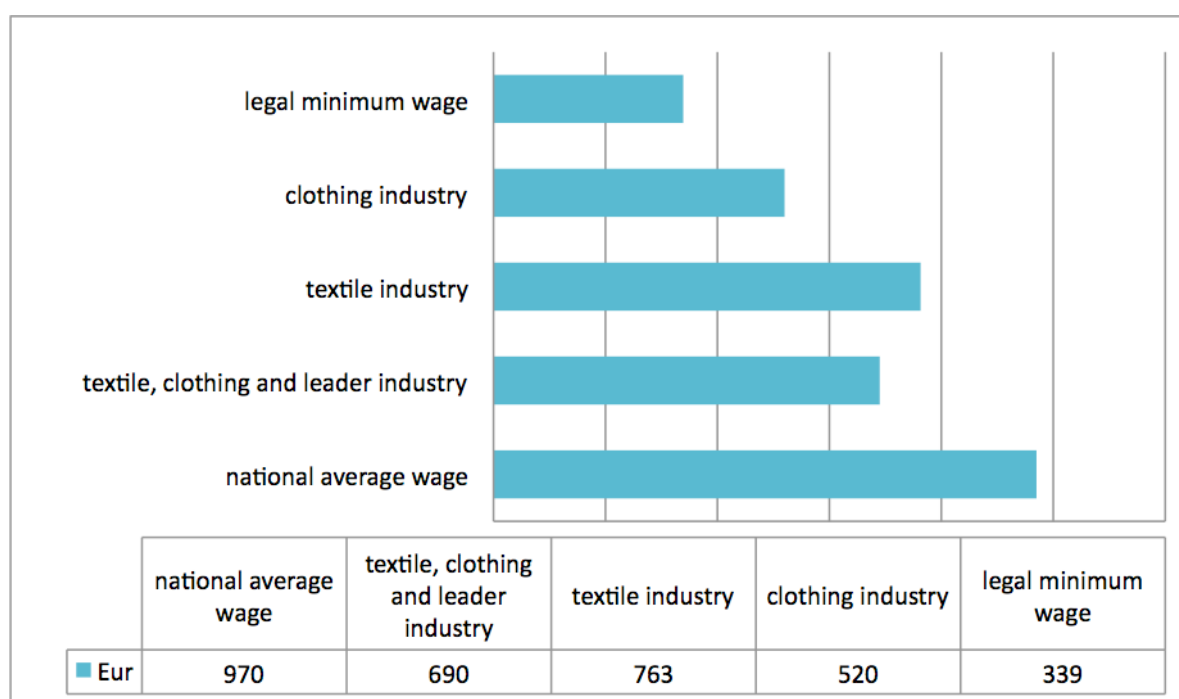
According to industry representatives, the Czech textile industry's remaining advantages in the areas of functional textiles, protective garments, and technical textiles are not everlasting, and there will need to be constant progress in product innovation in the industry. The textile and clothing industry has major potential in the area of nanotechnological applications, and this is something that will have a considerable impact on future changes in the demand for knowledge and skills. Moreover, there will be a growing demand for workers who can combine field knowledge in textiles, technologies, and modern machinery (at the upper secondary level), and knowledge of customer needs, market trends, logistics, and marketing (at the upper secondary and tertiary levels). These non-manufacturing activities are actually often neglected by Czech companies in a wide range of industries. And yet meanwhile, these form the foundations of competitiveness for most manufacturing companies in the developed world.

2. Overview of Legislation and General Wage Practices in the Garment Industry

A. Wage Statistics

The average gross wage in the Czech Republic is CZK 26,287 (EUR⁷ 970)⁸. The average wage in textile, clothing and leader industry in the first half of 2015 is **CZK 18,700 (EUR 690)**⁹ in total, which represents a 2.6% increase over the previous year. In the textile industry, wages exceeded **CZK 20,700 (EUR 763)**, while in the clothing industry, the average is approximately CZK 6,000 lower – about **EUR 520**. All statistics are provided as gross figures.¹⁰

Comparison of gross wage averages within the industry with the minimum wage and the national average wage

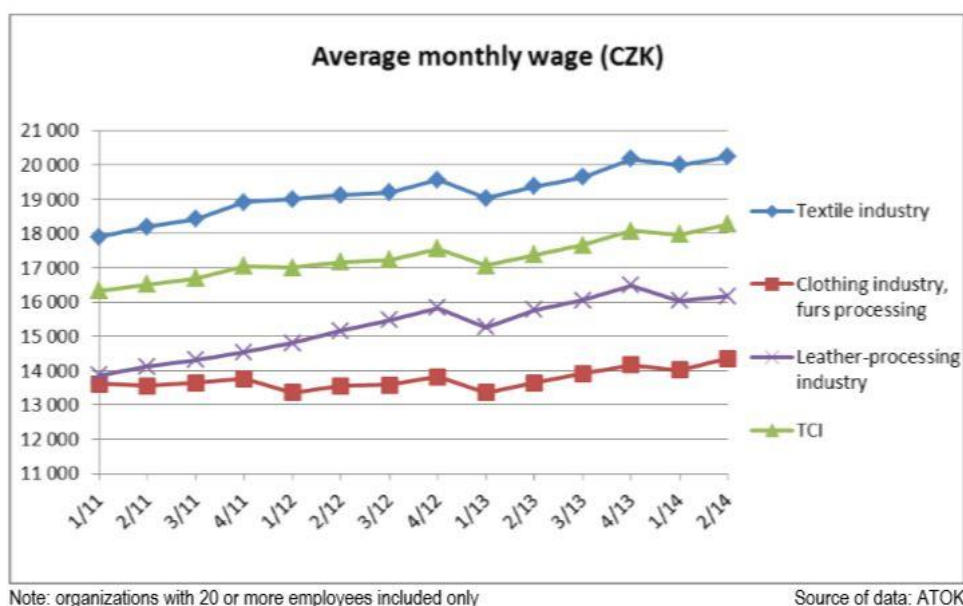


⁷ Where not stated otherwise, EUR data converted from CZK assumes EUR 1 = CZK 27.2 – the exchange rate as of July 7th, 2015.

⁸ As of September 4th, 2015 – Czech Statistical Office website

⁹ All wage statistics show gross values (before deducting employees' mandatory contributions to the state welfare and health care system).

¹⁰ Economic Development of the Textile and Clothing industry in the First Half of 2015; press release by the Prague office of ATOK, August 17th, 2015



Wage evolution in the 1st half of 2015 oproti stejnému období předchozího roku	
Textile	▲ +2.5 %
Clothing	▲ +2.6 %
TCI	▲ +2.6 %

The gender pay gap in the Czech Republic averages around 22%.¹¹ Given the gender segregation mechanisms typical for the labor market, it is obvious that the average wage in the industry is low due to the fact that it has a high share of women workers. This is especially seen in the clothing segment, where the average wage was **CZK 14,156 (EUR 520)** in 2013, and still remains at that level.¹² The clothing industry employs more women in professions such as sewers, cutters, and ironers, while textile production is more technical and stereotypically offers more opportunities to men. Unfortunately there are no figures to illustrate the gender segregation here and show the numbers of men and women working in specific professions, as the Czech Statistical Office does not provide disaggregated statistics.

¹¹ Czech Statistical Office, 2012. The unadjusted Gender Pay Gap (GPG) expresses the difference between the average gross hourly earnings of male employees and of female employees, as a percentage of the average gross hourly earnings of male employees. The population it covers consists of all employees in enterprises with 10 employees or more.

¹² Economic Development of the Textile and Clothing industry in the First Half of 2015; press release of the Prague office of ATOK, August 17th, 2015

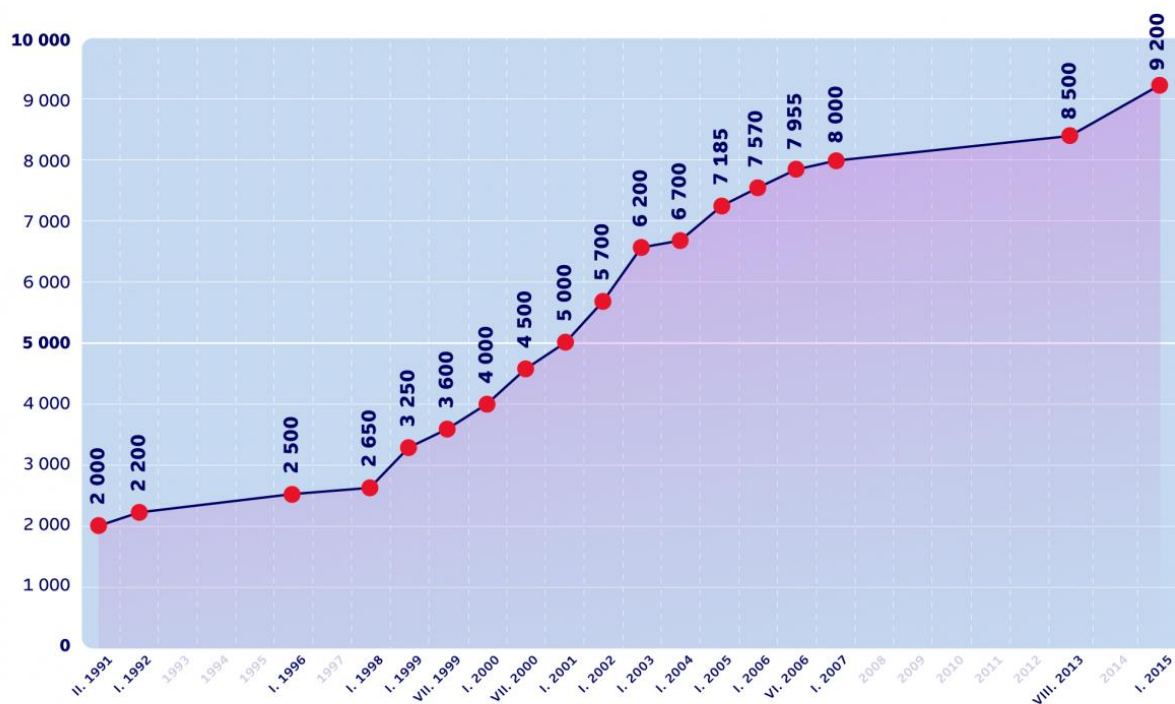
B. Minimum Wage and Its Adjustment, Mandatory Contributions, and Leave

The Minimum Wage and Its Adjustment

The minimum legal wage is anchored in the Czech Labor Code, and it is adjusted via government decree. Approximately 120,000 citizens (three percent of all employees) earn only the minimum wage.

Since January 1st, 2015, the minimum wage has been CZK 9,200 (EUR 339).

Chart: Evolution of the minimum wage in the Czech Republic (in CZK)



Mandatory Contributions

Social Insurance

Everyone working within the Czech Republic is insured with the Czech Social Security Administration, and must also contribute to the public health care system.

The mandatory social security contribution rates for 2015 are:

Employee: 6.5% of the employee's gross salary

Employer: 25% of the employee's gross salary

The Czech Social Security Administration (CSSA) organizes and enforces the collection of social security payments; these include **pension insurance**, **illness insurance**, and the **contribution to the state employment policy system**. The CSSA makes decisions on

pension benefits (except for pensions that are the responsibility of the Interior, Defense, or Justice ministries) and arranges for them to be paid out. These include pensions for **senior citizens** and **disability** pay, **widows' and widowers'** pensions, and **orphans'** pensions. The CSSA also makes decisions on cash **illness benefits (sick pay, maternity pay, and compensatory pregnancy and maternity pay** as well as **allowances for the care of a family member)** and arranges for them to be paid out.¹³

Health Insurance¹⁴

The Czech public health insurance system is based upon the mandatory participation of insured persons. There is no possibility for voluntary non-participation. Every person is insured individually with one of the seven companies that administer the health insurance system. Each insured person can change their health insurance company once per year. Health insurance companies are not allowed to make a profit.

The health care measures that are covered by health insurance include:

- preventative care
- diagnostic care
- walk-in and hospital care, including rehabilitation and treatment of chronic diseases
- dental care (only basic dental materials and treatment are covered)
- medicines and medical products
- patient transport
- spa care

The mandatory health insurance contribution rates for 2015 are:

Employee: 4.5% of the employee's gross salary

Employer: 9% of the employee's gross salary

The indirect cost of labor in the Czech Republic is one of the highest in the EU (26.8%)¹⁵, a fact that is repeatedly mentioned by employers as well as trade unions.

¹³ Website of the Czech Social Security Administration: <http://www.cssz.cz/en/about-cssa/>. Accessed October 15th, 2015.

¹⁴ Website of the Centre for International Reimbursements: <http://www.cmu.cz/en/links-info-en/health-insurance-system-in-cz>. Accessed October 15th, 2015.

¹⁵ Náklady práce a vliv jejich výše na příliv přímých zahraničních investic do ČR [Labor Costs and Their Influence on the Influx of Foreign Investments], Úřad vlády ČR (The Office of the Government of the Czech Republic), 2014

Leave and Vacations¹⁶

The Labor Code provides for at least four weeks of vacation time per calendar year. Employers may provide additional time beyond that; an extra week of vacation is often a part of collective-bargaining agreements.

In the event of illness, an employee is entitled to sick pay, which is uniformly set at 60% of normal pay. This compensation is provided per working day and, in cases of temporary inability to work, starts only from the fourth lost working day (except in the case of a quarantine, where it starts from the first lost day). The same applies for care for a sick family member. In this case, the compensation is provided from the first lost day, and normally can only last for nine calendar days. Single parents, however, are entitled to compensation for up to 16 calendar days.

A female employee (a mother) is entitled to 28 weeks of maternity leave; when a mother concurrently gives birth to two or more children, she is entitled 37 weeks of maternity leave. As a rule, female employees begin maternity leave at the beginning of the sixth week prior to the expected birth date; maternity leave may never start more than eight weeks before that date.

In order to enable better childcare, employers are required to provide parental leave to female employees and male employees upon their request. The entitlement to parental leave is granted to a child's mother upon termination of maternity leave and to a father as of the child's date of birth, in the scope they request, but for no longer than until the child reaches the age of three.

A male or female employee who returns to work after parental leave must be assigned to a job in accord with their employment contract.

Maternity leave, as well as parental leave for a man provided for the period during which a woman is entitled to maternity leave, is always considered as performance of work – including for the purposes of calculating annual leave.

The Labor Code also provides for time off in such events as: checkups or treatment in a health service facility that could not have been provided for outside of working hours; escorting a family member to a health service facility for a checkup or treatment; funerals; weddings; and similar events. Workers can claim compensation for some, but not all, of these types of absences.

C. The Procedure for Setting the Minimum Wage

The current minimum wage is regulated by § 111 of Act No. 262/2006 Coll. (the Labor Code), and by Government Decree No. 567/2006 Coll., which stipulates the minimum wages and premiums for work under dangerous conditions and for work at night. The Labor Code defines the minimum wage as "...the lowest permissible level of remuneration in an employment

¹⁶ Website of the Ministry for Labor and Social Affairs: <http://www.mpsv.cz/en/>. Accessed October 15th, 2015.

relationship...” The decision to increase the minimum wage is taken by the government, usually after a dialogue with unions and employer representatives.

The minimum wage in the Czech Republic was established in 1991. The government has changed it 16 times since then. In the first years after its introduction, increases to the minimum wage did not keep pace with inflation, and therefore the real minimum wage decreased. In 1999 – 2006, meanwhile, the government raised the minimum wage more quickly than the rate of inflation. Since 2007, however, due to the stagnation of the minimum wage, the real minimum wage has declined. The minimum wage's purchasing power has been affected not only by inflation, but also by adjustments to the tax and mandatory contribution rates. As a result of these adjustments, the net minimum wage has increased in some cases despite the stagnation of the gross minimum wage. This was especially true in the case of a minimum wage earner with a dependent who is a minor.

These three phases of the minimum wage's development correspond with the various Czech governments and their political orientations. Leftist governments have raised minimum wages more quickly than right-wing governments.

The current government included a minimum wage increase in its program declaration: “The Government shall prepare a proposal to adjust the minimum wage (an amendment to Government Regulation No. 567/2006 on the minimum wage) and raise the minimum wage after consultation with union and business representatives so as to ensure a dignified life for workers devoid of welfare benefits. The minimum wage shall provide sufficient motivation to work, should gradually approach 40% of the average wage, and should take into account the economic and social contexts.”¹⁷

The minimum wage was increased – after six years with no increases – in 2013, up to CZK 8,500 (about €330 as of 23 August 2013) starting 1 August 2013. The minimum wage had been CZK 8,000 (about €310) since the January 2007 increase.¹⁸

During 2014, the minimum wage remained at CZK 8,500. However, in September 2014 the government issued a decree for a further increase of the minimum wage, up to CZK 9,200 as of January 1st, 2015.^{19,20}

The increase to the minimum wage came partially as a result of what was called the “tripartite” process. During the tripartite meeting in June 2014, representatives of the “tripartite” – employers, trade unions, and the government – agreed to an increase of the minimum wage to bring it up to CZK 9,000.²¹ Nevertheless, the government later decided to increase the minimum wage further, up to CZK 9,900 (EUR 365) as of January 2016, in order to bring it closer to the 40 percent of the average wage – a level to which the government made a commitment in its coalition agreement. Employer representatives were surprised with the higher increase, pointing at the possible negative effect of boosting illegal hiring. On the other

¹⁷ Policy Statement of The Government of The Czech Republic, published 14. 2. 2014, <http://www.vlada.cz/en/media-centrum/dulezite-dokumenty/policy-statement-of-the-government-of-the-czech-republic-116171/>

¹⁸ Veverkova, Sona. Minimum Wage Increase Comes into Effect. European Industrial Relations Observatory. <http://www.eurofound.europa.eu/eiro/2013/08/articles/cz1308019i.htm>

¹⁹ Czech Republic. Ministry of Labor and Social Affairs. Minimum Wage as of January 1, 2015. <http://www.mpsv.cz/cs/19457>

²⁰ Minimální mzda od ledna stoupne na 9 200 korun [Minimum Wage Will Rise in January to 9,200 Crowns]. Czech Television. September 15, 2014.

<http://www.ceskatelevize.cz/ct24/ekonomika/286167-minimalni-mzda-od-ledna-stoupne-na-9-200-korun/>

²¹ Tripartita: Minimální mzda se od ledna zvýší na 9 000 korun [Tripartite: Minimum Wage Will Rise in January to 9,000 Crowns]. June 2, 2014. <http://www.ceskatelevize.cz/ct24/ekonomika/275253-tripartita-minimalni-mzda-se-od-ledna-zvysi-na-9-000-korun/>

hand, the vice-president of the Czech-Moravian Confederation of Trade Unions (ČMKOS) Vít Samek welcomed the decision, emphasizing that the Czech Republic will no longer compete in the market with cheap labor alone.²²

ČMKOS demands an increase to the minimum wage starting in January 2016 to bring it up to CZK 10,200, and increases by the same amount in 2017 and 2018. With this approach, the minimum wage would be at 40% of the current average wage in three years. This plan has been criticized and called absurd by the Chamber of Commerce – the national representation for employers. However, the 40% plan is in accordance with the prime minister's and the president's rhetoric. The Minister of Labor and Social Affairs stated that an increase of CZK 500-700 is planned for 2016.

Employer associations argue that such a fast-paced minimum wage increase would unreasonably reduce companies' sustainability, especially in sectors that produce outputs with low added value, such as processing and manufacturing – especially the garment industry. The argument is that the profits from textile and clothing production are being pushed down by Asian competition, leaving no room for wage increases whatsoever. Another point they raise is that if the lowest income categories increase because the minimum wage is raised, then everyone will have to see their income increase.²³ Employers, together with the opposition on the right, predict that a fast minimum wage increase will result in hiring stagnation and layoffs, that some employers will employ people illegally to reduce costs, and that many people in the lowest income category will lose their jobs. Trade unions, on the other hand, emphasize that the Czech economy is now out of crisis and is enjoying rapid growth, and that when companies' profits are increasing, workers are also entitled to see their wages increase.

D. Government Statistics on Poverty/Subsistence Thresholds

Poverty Statistics²⁴

The poverty line in 2015 is as follows:

One adult	CZK 9,901	EUR 364
Two adults	CZK 14,852	EUR 546
One adult with child of up to 13 years of age ²⁵	CZK 12,872	EUR 473
Family of four	CZK 20,793	EUR 746

The at-risk-of-poverty rate – the standard European measurement of relative poverty – is used to measure poverty on the household level. The at-risk-of-poverty rate is the share of people with an equalized disposable income (after social transfers) below the at-risk-of-poverty threshold, which is set at 60% of the national median equalized disposable income after social transfers.

²² Minimální mzda od ledna stoupne na 9 200 korun [Minimum Wage Will Rise in January to 9,200 Crowns]. Czech Television. September 15, 2014. <http://www.ceskatelevize.cz/ct24/ekonomika/286167-minimalni-mzda-od-ledna-stoupne-na-9-200-korun/>

²³ Confederation of Industry of the Czech Republic, <http://www.spcr.cz/en>

²⁴ Časopis Statistika a my [Statistics and Us Magazine], ČSÚ, 07/2015

²⁵ This situation is typical since there is a large percentage of single mothers; more than 22% of children live with only one parent. Source: <http://www.novinky.cz/finance/312677-neuplnych-rodin-rychle-pribyva-zije-v-nich-uz-kazde-pate-dite.html>

National median of wages ²⁶ :	CZK 22,230	EUR 817
60% of median:	CZK 13,338	EUR 490

Non-income poverty indicators:

Everyone who is unable to cover four out of nine of the following items is considered poor:

- Color TV
- Phone
- Washing machine
- Car
- Sufficient heating at home
- Eating meat every second day
- Unexpected expenditure of CZK 9,600 (EUR 352)
- 1-week vacation for all members of family
- Certainty of being able to pay the rent or loan monthly instalment on time

Material deprivation:	6.7% of population
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Unable to pay for an unexpected expenditure of CZK 9,600 (EUR 352):	42% of all households
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Unable to pay for a 1-week vacation for the whole family:	1/3 of all households
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Unable to eat meat every other day:	every 7 th household
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Unable to own a car:	every 10 th household
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Working poor (2010): 18.2%²⁷

Over 640,000 working persons overall in the Czech Republic are considered severely materially deprived. This set of people includes more than one quarter of all working women, about 48% of employees below 20 years old, 44% of workers lacking secondary education, 61% of unskilled workers, and also 25% of all part-time employees. The most frequent item that a household cannot afford is an unexpected expense (35.3%), followed by a one-week vacation for all members of the household (33.8%) and eating meat at least every other day (7.5%) – the percentages here are relative to the workforce overall.

This poverty line is very thin; that is, if it were raised to 61% of the national median, many more people would fall below it. The difference is only CZK 165 (EUR 6), and this bottom income category includes 1.5 million workers, with one third of them surviving below the living minimum. Although the stagnation of the national economy is over, the disproportionality of profits and wages, together with the low minimum wage, causes continued stagnation for the poor and low-income persons.²⁸

If we look at the set of workers with the lowest income, i.e. the working poor, we find that for 5.2% of workers, the income from their main employment is not sufficient to keep them above the poverty line for a single-person household. However, 0.7% of workers are kept above the poverty line by additional income, and thus **4.5% of workers have an overall personal income that is below the poverty line**. On a separate note, the most helpful tools in lowering poverty are disability pay and old-age benefits.

When we shift our focus to the household level, **2.7%** of employees are poor in terms of household income; poverty thus drops by 1.8 percentage points when we shift our focus from

²⁶ Czech Statistical Office, second quarter of 2015, <https://www.czso.cz/csu/czso/cr/prumerne-mzdy-2-ctvrtleti-2015>

²⁷ Eurostat, Šetření struktury výdělků [Income Structure Investigation], 2010

²⁸ ČR se vymanila z krize, ale mnoha lidem hrozí chudoba [Crisis Over in CR, But Many at Risk of Poverty], August 19th, 2015

individual to household-level poverty. **These workers amount to 9.0% of the overall population at risk of poverty**²⁹. The core of the working poor – people who are below both the individual and household poverty thresholds – consists of 0.5% of employed persons. In other words, only 19.3% out of the employed persons who are poor in terms of household income are also poor in terms of personal income. The typical households in this core working poor population are either **single-female households or lone-parent households where a divorced woman is the head of the household**. When moving from individual income to household income, economies of scale play a crucial role. When using per-capita income, the poverty level increases by 22.0%, up to 24.7%. When using the per-capita concept instead of equivalence scales, the core of the working poor – those poor in both personal income and household income – grows from 0.5% to 2.4%. Employed persons overall have a material deprivation rate that is 2.5 percentage points less severe than the overall Czech rate. However, the working poor are by far the most materially deprived group, with a deprivation rate seven times higher than that for the overall population of full-time year-round employees.³⁰

According to a new OECD report, workers in the Czech Republic who earn the minimum wage will have to work the most hours out of any OECD country to stay above their country's poverty line. The report shows that a Czech single parent with two children will have to work 79 hours per week to stay above the poverty line. That is roughly 20 more hours than in the next-highest countries: Estonia, Korea, Greece, and Spain.^{31, 32}

If the minimum wage is sufficiently higher than the line for qualifying for social benefits (which in turn is a multiple of what is called the living minimum), then the minimum wage fulfils its motivational function. However in recent years, the net minimum wage has been lower than this rate for persons with one dependent child. For these persons it is thus more advantageous to rely on social benefits than to seek employment. The same also applies for persons with no dependents who rent an apartment in Prague.³³

Table: EU SILC At-risk-of-poverty rate before and after social transfers and at-risk-of-poverty threshold (for a single person), in 2012 and 2013³⁴

²⁹ Pracují, a přesto jsou chudí? [At Work..., and Poor?], Statistika a my [Statistics and Us] magazine <http://www.statistikaamy.cz/2014/06/pracuji-a-presto-jsou-chudi/>, ČSÚ 2015

³⁰ Šustová, Š., Zelený, M. 2013. At Work..., and Poor? A Look at the Czech Working Poor Population in the Living Conditions Survey (EU - SILC). Statistika. Statistics and Economy Journal, 93, 1, 2013.

³¹ Focus on Minimum Wages After the Crisis: Making them pay, May 2015, OECD, Directorate for Employment, Labour and Social Affairs

³² Pracují, a přesto jsou chudí? [At Work..., and Poor?], Statistika a my [Statistics and Us] magazine <http://www.statistikaamy.cz/2014/06/pracuji-a-presto-jsou-chudi/>, ČSÚ 2015

³³ Selected Issues of the Minimum Wage in the Czech Republic, Tomáš Pavelka, Marek Skála, Jan Čadil, Ekonomie & management [Economy & Management]; 4, XVII, 2014

³⁴ EUROSTAT http://ec.europa.eu/eurostat/statistics-explained/index.php/File:At-risk-of-poverty_rate_before_and_after_social_transfers_and_at-risk-of-poverty_threshold_%28for_a_single_person%29_2012_and_2013.png Accessed November 5, 2015.

	At-risk-of poverty before social transfers		At-risk-of poverty after social transfers		At-risk-of poverty threshold (national currency)		Currency
	2012	2013	2012	2013	2012	2013	
EU-28 (*)	25.8	25.8	16.9	16.7	
Euro area (*)	25.2	25.3	17.0	16.7	
Belgium	27.7	26.3	15.3	15.1	12 168	12 890	EUR
Bulgaria	25.9	26.7	21.2	21.0	3 356	3 431	BGN
Czech Republic	17.6	16.6	9.6	8.6	114 953	116 093	CZK
Denmark	28.3	28.1	13.1	12.3	118 822	120 130	DKK
Germany	24.3	24.4	16.1	16.1	11 757	11 749	EUR
Estonia	24.8	25.4	17.5	18.6	3 592	3 947	EUR
Ireland	39.3	...	15.7	...	11 447	...	EUR
Greece	26.8	28.0	23.1	23.1	5 708	5 023	EUR
Spain	29.6	30.0	22.2	20.4	7 182	8 114	EUR
France	23.8	24.2	14.1	13.7	12 362	12 572	EUR
Croatia	30.6	29.7	20.4	19.5	24 000	22 916	HRK
Italy	24.4	24.6	19.4	19.1	9 617	9 440	EUR
Cyprus	23.5	24.3	14.7	15.3	10 156	9 524	EUR
Latvia	25.7	26.0	19.2	19.4	1 877	1 967	EUR
Lithuania	28.4	30.3	18.6	20.6	8 985	9 734	EUR
Luxembourg	29.0	29.4	15.1	15.9	19 668	19 981	EUR
Hungary	27.1	26.3	14.0	14.3	796 784	786 000	HUF
Malta	24.0	23.3	15.1	15.7	6 869	7 256	EUR
Netherlands	20.6	20.8	10.1	10.4	12 337	12 504	EUR
Austria (*)	25.8	25.9	14.4	14.4	13 084	13 244	EUR
Poland	22.9	23.0	17.1	17.3	12 509	12 966	PLN
Portugal	25.3	25.5	17.9	18.7	4 994	4 902	EUR
Romania	28.0	27.8	22.6	22.4	5 382	5 528	RON
Slovenia	25.2	25.3	13.5	14.5	7 273	7 111	EUR
Slovakia	20.0	20.1	13.2	12.8	4 156	4 042	EUR
Finland	26.9	26.4	13.2	11.8	13 619	13 963	EUR
Sweden	27.4	27.1	14.1	14.8	133 926	137 947	SEK
United Kingdom (*)	29.7	30.1	16.0	15.9	9 325	9 526	GBP
Iceland	23.1	22.7	7.9	9.3	1 875 151	2 047 736	ISK
Norway	25.8	26.0	10.0	10.9	187 394	192 353	NOK
Switzerland	23.4	22.8	15.9	14.5	29 144	29 499	CHF

(*) 2013: estimated data.

(*) 2013: break in time series.

E. Public Demands and Objections Surrounding the Minimum Wage

Minister of Labor and Social Affairs Michaela Marksová has stated: “Our minimum wage is still among the lowest in the EU, and it is also below the poverty line. The stagnation of the minimum wage in recent years has resulted in the current situation, where the minimum wage covers only very basic nutritional and personal needs – not even the cost of housing.”³⁵

Meanwhile, the minimum wage does not currently play the role of motivating people to hold a job rather than staying dependent on unemployment benefits.

As discussed earlier in this report, there is a plan to increase the minimum wage to 40% of the average wage. This plan is opposed by employers, conservative politicians, and economic analysts.

F. Overtime

Regular working hours are limited to 40 hours per week, and overtime hours are restricted to eight hours per week or 150 hours per year. Overtime must be consensual. Under amendments to the Labor Code from 2012, employees may not work more than 12 hours per day. The Labor Code limits overtime to eight hours per week, normally for up to 26 consecutive weeks. This limit may be raised to 52 consecutive weeks, but only through a collective bargaining agreement and only with permission from local authorities.

³⁵ Press release of the Ministry of Labor and Social Affairs; http://www.mpsv.cz/files/clanky/21704/TZ_200815a.pdf, accessed October 30th, 2015.

Czech law establishes premiums of 125 percent for regular overtime and weekend work, 200 percent for work on public holidays, 120 percent for night work, and 110 percent for work conducted in dangerous and/or difficult environments.³⁶

The State Office for Labor Inspection states that working hours have long been problematic. Employers most often fail to properly document hours worked, dictate longer shifts than the law allows, and/or provide no rest between shifts and during the week.³⁷

The Czech-Moravian Confederation of Trade Unions states that employers violate the laws concerning working hours by failing to respect maximums for overtime work.³⁸

G. Forced Overtime

Neither one of the two above-quoted institutions provides detailed data on overtime practices and violations specific to the garment industry. However field research – and testimony by unions – confirms that forced overtime does occur frequently.³⁹

H. Barriers for Unions

Unions do not have a very strong position in the Czech garment industry for numerous reasons, including general distrust towards collective organizing; lingering resentment of unions' Communist past; their ineffectiveness due to a lack of the skills, expertise, and flexibility needed to truly influence the situation; and in some cases corrupt union leaders. Despite all this, the unions do play an important role. When we consider their unfavorable overall situation, the garment unions do a reasonable job of fulfilling their role. According to Mr. Zdeněk Heller, the chair of Textile and Clothing Industry Trade Union (OSTOK), 29% of garment workers are organized into unions, and there are 128 unions active as of 2015.

In 2013, 45% of the populace trusted unions, and 37% did not. (18% of respondents answered "I don't know.") Trust in unions has increased slightly during recent years. Between 1996 and 2009, trust ranged from 30 to 40%, and since 2010 it has ranged from 40 to 50%.⁴⁰ The Czech and Moravian Confederation of Trade Unions also reports increasing numbers of worker legal advice requests. In 2013 they provided 21,000 advisories, up from 17,362 in 2013. Between 2008 and 2013, the Confederation represented 185 people before the court.⁴¹

³⁶ Global Human Resources Law. Czech Republic: Changes to Employment Regulations in 2013 and Outlook for 2014. February 21, 2014. <http://www.globalhrlaw.com/resources/czech-republic-changes-to-employment-regulations-in-2013-and-outlook-for-2014>. Accessed: 6/20/2014.

³⁷ Czech Republic. State Office for Labor Inspection. Annual Summary Report of the Outcomes of Inspections Held by the Labor Inspection in the Year 2013. 2014. http://www.suip.cz/_files/suip-24569bb38275fcbd313b8f0c21af7cb3/rocni_souhrmna_zprava.pdf

³⁸ Kašparová J. Porušování zaměstnaneckých a odborových práv v roce 2014 [Violations of Employee and Union Rights in 2014]. Czech-Moravian Confederation of Trade Unions. E-SONDY. February 20, 2015. <http://www.e-sondy.cz/firemni-kultura/4543-3/porusovani-zamestnaneckych-a-odborovych-prav-v-roce-2014>

³⁹ Interview with Mr. Miloš Konečný, Vice Chair of The Textile and Clothing Industry Trade Union (OSTOK), September 2015

⁴⁰ Czech Republic. Academy of Sciences. Institute of Sociology. Public Opinion Research Centre. Trust in Selected Institutions of Public Life – September 2013. Press release, October 2013. http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a7068/f3/po131004.pdf

⁴¹ Czech-Moravian Confederation of Trade Unions. Recording of press conference from January 21st, 2014. <http://www.cmkos.cz/medialni-prezentace/3758-3/video-priority-odboru-v-roce-2014>

I. Collective Bargaining Agreements (CBAs)

According to the vice-chair of the Textile and Clothing Industry Trade Union (OSTOK)⁴², 86 garment unions are entitled to bargain on collective agreements, and almost all of them have a collective agreement in place for 2015. The full texts of 36 of those agreements have been shared with OSTOK. In 2014, a high-level collective agreement for the whole textile and clothing sector between unions (represented by OSTOK) and employers (represented by ATOK) was also signed. This agreement had expanded validity (“sectoral coverage”) that included all companies that produce textiles or clothing, including those that are not members of trade unions or the national employers’ association. This provision was made possible by a decree of the Ministry of Labor and Social Affairs, on sectoral coverage. This agreement was not renewed for 2015 because unions and employers could not reach a consensus. Negotiations are already underway for 2016, and according to the unions, there are greater chances for a consensus this time. All this means, however, that there is not a valid sectoral collective agreement for the moment.

According to Mr. Miloš Konečný, vice-chair of OSTOK, for examples of good collective agreements one can turn to VEBA Broumov in Broumov⁴³ or NOVA Mosilana in Brno⁴⁴.

J. Legal and Practical Barriers to Collective Bargaining

Workers’ right to self-organize is explicitly protected by the Czech Charter of Fundamental Rights and the Czech Labor Code. The Associations Act, amended in 2006, permits the registration of unions established by foreign workers.⁴⁵ By law, associations and organizations must be registered with the Ministry of the Interior.⁴⁶ Although the Charter of Fundamental Rights protects workers’ organizations from government interference, the Association of Citizens Act grants the Ministry of the Interior the administrative authority to dissolve a union or other association that is found to have violated the law or introduced a change to its statutes that is in conflict with the law.⁴⁷

The Czech Labor Code explicitly protects workers from anti-union discrimination.⁴⁸ An anti-discrimination law was passed in 2009 to ensure the equal treatment of union members and individuals participating in union activities. However, the International Trade Union

⁴² Interview with Miloš Konečný, vice-chair of The Textile and Clothing Industry Trade Union (OSTOK), September 2015

⁴³ VEBA is a traditional producer of jacquard-woven cotton fabrics, and it ranks among the world’s most important manufacturers in this segment. VEBA focuses on the production of clothing and household textiles. It uses the state-of-the art textile technology, and nearly 90% of its products are exported – mainly to Africa, Europe, and North America. The use of top designers gives VEBA products high aesthetic quality in tune with today’s global trends. Veba is a dynamic, growing, and innovative company that is among the elite Czech exporters. It employs nearly 1,300 people in the areas surrounding Broumov and Police, and is technologically on par with its most advanced global competition. [<http://www.veba.cz/en/about-us>; edited]

⁴⁴ A successful producer of wool fabrics for use in men’s and women’s suits, for brands such as Hugo Boss, Versace, and Armani. Owned by the Italian company MARZOTTO GROUP. [<http://new.mosilana.cz>]

⁴⁵ International Trade Union Confederation. 2009 Annual Survey of Violations of Trade Union Rights. <http://survey09.ituc-csi.org/survey.php?IDContinent=4&IDCountry=CZE&Lang=EN>

⁴⁶ U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. 2009 Country Reports on Human Rights Practices. <http://www.state.gov/g/drl/rls/hrrpt/>

⁴⁷ Hartmanova, Marketa. Doma v Ceske Republice. Association of Citizens, Including Aliens in the Territory of the Czech Republic <http://www.en.domavcr.cz/advice-for-living-in-the-czech-republic/associations/association-of-citizens-including-aliens-in-the-territory-of-the-czech-republic>.

⁴⁸ U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. 2009 Country Reports on Human Rights Practices. <http://www.state.gov/g/drl/rls/hrrpt/>

Confederation asserted in 2011 that the law did not sufficiently protect workers from anti-union discrimination.⁴⁹

Although the Czech labor code does not explicitly prohibit business interference in union activity, there is legislation that requires for employers to provide workers with information about trade unions and to facilitate union elections. Under paragraph 277 of the Labor Code, employers are required to provide the time, space, and equipment needed for union representatives to fulfill their duties.⁵⁰ However, the amount of time allowed for union activity during working hours is not defined, resulting in varying interpretations of the law.⁵¹

The Labor Code that came into effect on January 1st, 2007 allows labor unions to enter into a single collective contract for multiple workplaces. The new provisions stated that in situations where multiple unions are active within a single enterprise and cannot agree on a collective agreement, employers must enter into a collective bargaining agreement with the union that represents the largest number of employees.⁵² However in 2008, the Czech Constitutional Court ruled that in situations in which multiple unions active in a single enterprise are unable to agree on collective bargaining negotiations, employers are not required to negotiate an agreement with the largest union.⁵³

2012 saw new amendments to the Labor Code (Act 365 of 2011) come into effect that allowed for more flexible work arrangements and weakened worker protections, according to the Czech-Moravian Confederation of Trade Unions.⁵⁴ Changes include the establishment of a minimum membership threshold for unions to be allowed to engage in collective bargaining.⁵⁵ Under Section 286 of the Act, unions must have at least three members in order to act as a bargaining unit, even in very small operations with only a few total employees.⁵⁶ In addition, employers are no longer required to consult with unions on certain issues affecting workers or to reach mutual agreements on workplace affairs.⁵⁷ The Czech-Moravian Federation of Trade Unions reported that legal changes during the last year negatively affected the ability of employees at small enterprises to uphold their union rights. The same changes reportedly ended the requirements for employers to consult with unions on matters regarding individuals and to seek mutual agreement on certain workplace issues.⁵⁸

The new Civil Code (Act No. 89/2012 Coll., in force since January 1st, 2014) does not oblige companies' supervisory boards to include employee representatives. The current government,

⁴⁹ International Trade Union Confederation. 2011 Annual Survey of Violations of Trade Union Rights – Czech Republic. <http://survey.ituc-csi.org/Czech-Republic.html?lang=en#tabs-3>

⁵⁰ Government of the Czech Republic. Ministry of Labor and Social Affairs. Labor Code. (Full translation.) No. 262/2006 Coll. http://www.mpsv.cz/files/clanky/3221/labour_code.pdf

⁵¹ U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. *Country Reports on Human Rights Practices for 2011*. <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?dlid=186344>

⁵² Government of the Czech Republic. Ministry of Labor and Social Affairs. Kolektivní smlouvy vyššího stupně závazné pro další zaměstnavatele [Higher-level Collective Agreements Are Binding for Other Employers]. <http://www.mpsv.cz/cs/3856>

⁵³ Hala, Jaroslav and Sona Veverkova. Unions claim Court's repeal of Labor Code will diminish trade union role. Research Institute for Labor and Social Affairs (RILSA). 2008. <http://www.eurofound.europa.eu/eiro/2008/04/articles/cz0804039i.htm>.

International Trade Union Confederation. *2009 Annual Survey of Violations of Trade Union Rights*. <http://survey09.ituc-csi.org/survey.php?IDContinent=4&IDCountry=CZE&Lang=EN>

⁵⁴ European Industrial Relations Observatory. *Czech Republic: Articles*.

<http://www.eurofound.europa.eu/eiro/2012/01/articles/cz1201019i.htm>

⁵⁵ International Trade Union Confederation. *Annual Survey of Violations of Trade Union Rights 2012*. <http://survey.ituc-csi.org/Czech-Republic.html?edition=336>

⁵⁶ Kucera, Petr. Nenápadná změna: Zákaz odborů v nejmenších firmách. [A Subtle Change: A Ban on Trade Unions in the Smallest Companies]. *Aktuálně.cz*. 2011. <http://aktualne.centrum.cz/finance/prace/clanek.phtml?id=722557>

⁵⁷ International Trade Union Confederation. *Annual Survey of Violations of Trade Union Rights 2012*. <http://survey.ituc-csi.org/Czech-Republic.html?edition=336>

⁵⁸ U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. Czech Republic 2012 Human Rights Report. 2013. <http://www.state.gov/j/drl/rls/hrrpt/2012/eur/204278.htm>

however, has already made an agreement with ČMKOS representatives about amending the Civil Code so as to renew this requirement.⁵⁹

The Collective Bargaining Act has seen a recent amendment that allows for sectoral coverage for collective bargaining agreements, significantly increasing the number of such agreements within the construction, glass, and textile industries.

In 2012, 34% of the workers represented by ČMKOS affiliates were covered by company-level agreements, and 16% were covered by industry-wide agreements.⁶⁰

K. Unlawful Wage Practices

The most common violation is failing to compensate workers for all hours worked. In 2010, the State Office for Labor Inspection carried out 5,472 inspections for the purpose of enforcing laws on contracts, wages, break time, and overtime pay. Fines for significant violations totaled CZK 23 million (USD 1.2 million) in 2010.⁶¹ In 2011, 5,647 wage-related violations were reported by the State Office for Labor Inspection, alongside 678 working-hours violations.⁶² In 2013, ČMKOS found a general trend of increasing wage violations.⁶³ In 2014, the State Office for Labor Inspection prioritized inspections regarding minimum wage violations.⁶⁴

In 2013, wage payment violations belonged among the most frequent breaches of labor law. The State Office for Labor Inspection inspections revealed 1,369 cases where labor law was violated by not paying wages on time.⁶⁵ Among the most common infractions were not paying part of a wage at all, not respecting the minimum wage, paying part of a wage in cash without documentation, and failing to pay required extra payments (for overtime, night work etc.).⁶⁶

The 2013 Report on the State of Human Rights in the Czech Republic meanwhile points towards wage payment violations, but does not provide detailed data. According to the Report, inspections performed by the State Office for Labor Inspection on request revealed that the most commonly identified deficiencies were violations of remuneration-related labor laws, such as not paying wages on time, or paying only half of them.⁶⁷

⁵⁹ E-sondy. The industrial trade unions and Jan Mladek have agreed that representation of employees in supervisory boards should be obligatory. Czech-Moravian Confederation of Trade Unions: January 2014.

⁶⁰ European Trade Union Institute. National Industrial Relations. *Collective Bargaining: Czech Republic. 2010.* <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Czech-Republic/Collective-Bargaining>

⁶¹ U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. 2010 Country Report on Human Rights Practices: Czech Republic. April 8, 2011. <http://www.state.gov/g/drl/rls/hrrpt/2010/eur/154420.htm>

⁶² Government of the Czech Republic. State Office for Labor Inspection. Roční souhrnná zpráva o výsledcích kontrolních akcí, provedených inspekci práce v roce 2011. [Yearly Summary Report on the Results of the Office's Inspections in 2011.] 2012.

⁶³ Government of the Czech Republic. State Office for Labor Inspection. Roční souhrnná zpráva o výsledcích kontrolních akcí, provedených inspekci práce v roce 2011. [Yearly Summary Report on the Results of the Office's Inspections in 2011.] 2012.

⁶⁴ Czech-Moravian Confederation of Trade Unions. E-sondy. Masivní porušování odborových a zaměstnaneckých práv v roce 2013 [Massive violation of trade unions' and employees' rights in 2013]. <http://www.e-sondy.cz/aktualne/3762-3/masivni-poruvovani-odborovych-a-zamestnaneckych-prav-v-roce-2013>

⁶⁵ U.S. Department of State. Bureau of Democracy, Human Rights, and Labor. 2013 Country Reports on Human Rights Practices. <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/#wrapper>

⁶⁶ Czech Republic. State Labor Inspection Office. 2013 Annual Report of the State Office Labor Inspection Office. 2014. http://www.suip.cz/_files/suip-f65d110ae1252715b2534f7126cc9104/zprava_o_cinnosti_2013.pdf

⁶⁷ Czech Republic. State Office for Labor Inspection. Roční souhrnná zpráva o výsledcích kontrolních akcí, provedených inspekci práce v roce 2011. [Yearly Summary Report on the Results of the Office's Inspections in 2013.] 2014. http://www.suip.cz/_files/suip-24569bb38275fcbd313b8f0c21af7cb3/rocní_souhrnná_zpráva.pdf

⁶⁷ Government of the Czech Republic. Zpráva o stavu lidských práv v České republice v roce 2013 [Report on the State of Human Rights in 2013]. Prague, 2014. <http://www.vlada.cz/assets/ppov/rp/dokumenty/zpravy-lidska-prava-cr/Tx.pdf>

ČMKOS emphasized that unlike in previous years, the current government has a positive approach towards important issues surrounding employee rights. The revitalization of the Council of Economic and Social Agreement (the Tripartite) is also a good signal in their eyes.⁶⁸

Despite these changes, employee rights continue to be violated. In the area of wages, the wage payment violation categories are the same as in the preceding year, and they correspond with those found by the State Office for Labor Inspection: unpaid overtime, failure to make extra payments required by law (night work, holiday works, etc.), failure to pay the minimum wage, late wage payment, payment of some or all of wages in cash without documentation, and – within the public sector – different wages paid for work of the same value.

L. Gender Discrimination and Discrimination on the Grounds of Ethnicity, Caste, or Nationality

Gender is a major factor for the low level of wages in the clothing industry, as can be observed when applying a gender lens to two segments of the industry: the clothing and textile segments. The textile segment (technical textiles, cord fabrics, etc.) is progressive; its rates are going up, investments are being made, and the future strategy of the overall industry relies upon it⁶⁹. It uses advanced technologies and machinery... and provides job opportunities to men. The clothing industry employs mostly women, who work in traditional occupations – especially as seamstresses, and the wages there are at the bottom of the national scale and almost one third lower than in the textile segment. It can thus be concluded that the clothing industry aims for cheap labor, for which women bear the cost. For a number of reasons rooted in the gender structure of society and in gender stereotypes, women are willing to bear it.

As for the national overall statistics, while 41.8% of men earn wages beneath 2/3 of the median wage, 58.2% of women are in this category.⁷⁰

The Czech Republic's Labor Code specifically prohibits discrimination against workers on the basis of race, gender, sexual orientation, language, religious beliefs, political convictions, membership or activity in political parties, involvement in trade unions, nationality, ethnic origin, social background, property, health, age, marital status, family status, family obligations, and physical, mental, or other disabilities.⁷¹

Although the government passed an Anti-Discrimination Act prohibiting employers from discriminating on the basis of race, sex, or ethnicity in 2009, the ILO has noted that this law did not appear to provide protection against all the forms of discrimination outlined in Convention 111, nor did it provide for intervention by government institutions to protect workers

⁶⁸ Kašparová J. Porušování zaměstnaneckých a odborových práv v roce 2014 [Violations of Employee and Union Rights in 2014]. Czech-Moravian Confederation of Trade Unions. E-sondy. February 20, 2015. <http://www.e-sondy.cz/firemni-kultura/4543-3/porusovani-zamestnaneckych-a-odborovych-prav-v-roce-2014>

⁶⁹ Dopady globalizačních vlivů na odvětví českého textilního a oděvního průmyslu a možnosti, jak na ně reagovat v období příštích 10 let [Effects of Globalizing Influences in the Czech Textile and Clothing Industry and Options for Reacting to Them in the Coming Decade], Projekt Posilování bipartitního dialogu v odvětvích [The Project for Strengthening Bipartite Dialog Within Industrial Sectors], ČMKOS/ATOK, 2013

⁷⁰ Hodnocení vlivu minimální mzdy na sociálně ekonomický vývoj ČR [Evaluating the Effects of Minimum Wage on Social and Economic Development in the Czech Republic], TREXIMA, spol. s r. o. and Vysoká škola ekonomická v Praze [University of Economics, Prague], November 2013

⁷¹ Government of the Czech Republic. Ministry of Labor and Social Affairs. Labor Code. (Full translation.) No. 262/2006 Coll. http://www.mpsv.cz/files/clanky/3221/labour_code.pdf

against discrimination.⁷² Also, under the Anti-discrimination Law, courts were the only grievance mechanism available to victims of discrimination.⁷³ The Labor Code was amended in 2012 to include a clause that protects workers from unequal treatment and bans discrimination.⁷⁴

Czech legislation explicitly protects the right of women to equal compensation for work of equal value in the same workplace. The Labor Inspection Act of 2005 established fines for violations of equal treatment and equal remuneration regulations. The 2006 Labor Code provides for equal treatment and equal remuneration for equal work for all employees.⁷⁵ The ILO noted in 2010 that the principle of equal remuneration for equal work was not met by Czech law because the law only required equal remuneration in a single workplace instead of for similar work across workplaces and sectors.⁷⁶

There are foreigners (migrant workers) working in the Czech clothing industry. No official statistics for this phenomenon exist; however based on the field research, we can characterize the situation as follows: Women foreigners working in the clothing industry come mainly from Mongolia and Ukraine, work under the same physical conditions as Czech women, and have low wages, and their ability to negotiate better conditions, organize, or advance in the job is significantly worsened by a language barrier, xenophobia, and their lack of integration into the Czech society. Their gender disadvantage is essentially doubled by their being foreigners. In places with relatively large numbers of jobs and of foreigners employed, ghettoization can be observed. However, these workplace ghettos are disappearing hand in hand with the bankruptcies of the major clothing producers.

M. Health Problems

There are no publicly known or discussed cases of severe health issues in the industry. However, during the field study, workers expressed concerns about health damage due to fumes from ironing, work with plastics, and dyeing. Dust and noise were also mentioned often. The State Office for Labor Inspection does not provide industry-specific data regarding complaints or infractions of health and safety norms.

⁷² Earth Times. Czech Parliament Overrides Anti-Discrimination Law Veto. June 17, 2009.

<http://www.earthtimes.org/articles/show/273651,czech-parliament-overrides-anti-discrimination-law-veto.html>

International Labour Organization. Committee of Experts on the Application of Conventions and Recommendations. Individual Observation Concerning Discrimination Convention No. 111. 2009. <http://www.ilo.org/ilolex/cgi-lex/pdconv.pl?host=status01&textbase=iloeng&document=10862&chapter=6&query=Czech+Republic%40ref&highlight=&querytype=bool&context=0>

⁷³ Štráfeldová, Milena. Czech Republic Adopts Anti-Discrimination Act, Avoids European Commission Sanctions. Roma in the Czech Republic. 18 June 2009. <http://romove.radio.cz/en/clanek/22523>

⁷⁴ European Industrial Relations Observatory. Czech Republic: Articles.

<http://www.eurofound.europa.eu/eiro/2012/01/articles/cz1201019i.htm>

⁷⁵ International Labor Organization. Committee of Experts on the Application of Conventions and Recommendations. Individual Direct Request Concerning Equal Remuneration Convention No. 100. 2010.

⁷⁶ International Labor Organization. Committee of Experts on the Application of Conventions and Recommendations. Individual Direct Request Concerning Equal Remuneration, Convention No. 100. 2010.

Case Studies

Case Study: Pleas a.s.

Company name: Pleas a.s.

Location: The production plant is located in Havlíčkův Brod, Czech Republic.

Ownership: Stock company registered with the Czech Trade Register; sole shareholder is Schiesser AG (registered address: Radolfzell am Bodensee, Schützenstrasse 18, 78135, DE)

History: The company's history goes back to 1873, the year of its first manufacturing activities. The Pleas stock company was founded in 1994 as a result of privatization, and a year later Schiesser Holding became the majority shareholder.

Websites: <http://www.pleas.cz/> (e-shop for the Czech market), <http://www.pleas.eu> (company website)

Facebook profiles:

Company: <https://www.facebook.com/pleashavlickuvbrod>

Pleas Havlíčkův Brod Shop: <https://www.facebook.com/pages/Prodejna-Pleas-Havl%C3%AD%C4%8Dk%C5%AFv-Brod/392163864301704?fref=ts>

Schiesser Havlíčkův Brod Shop: <https://www.facebook.com/pages/Reprezentativn%C3%AD-prodejna-Pleas-Havl%C3%AD%C4%8Dk%C5%AFv-Brod/1593809700873867?fref=ts>

Pleas Polná Shop: <https://www.facebook.com/pages/Prodejna-Pleas-Poln%C3%A1/971684456177609>

Pleas Žďár nad Sázavou Shop: <https://www.facebook.com/pages/Prodejna-Pleas-%C5%BD%C4%8F%C3%A1r-nad-S%C3%A1zavou/547208978750998>

Production Profile

Pleas covers the whole textile manufacturing chain from raw fabrics to packaged goods. 95%⁷⁷ of its production is exported abroad. Most of this export is done under the **Schiesser** brand and is focused on the German market.

The rest of its production (5%) is day and nightwear under the “**pleas**” brand with “quality Czech wear” and “quality Czech jersey” as its main slogans, which it sells via its e-shop and in 3 company shops (Havlíčkův Brod, Polná, and Žďár nad Sázavou). Various articles also mention Slovakia as a destination for the “pleas” brand; however, it is not clear through which channels their Slovak business is occurring.

The pleas brand builds upon the image of tradition and of traditional Czech production of textiles (see the illustration – these are labels added to each pleas product). The company also spends resources on making the brand visible via certifications, such as “**Vysočina – regional product**,” which was obtained in 2010 and renewed in 2012. To quote the pleas.eu website: “We are continuing a **long** and successful **tradition** in the area of producing high sophisticated underwear in a region, where the PLEAS a.s. is holder of the **Vysočina – regional product** certificate.” The certification criteria include: a link to the region, safe manufacturing, and the respecting of hygiene norms.

The first certified product was an underwear collection and a scarf with a rowanberry motif; this berry is a regional symbol. In 2012, pleas marketed a functional t-shirt with the regional logo.



labels included
with each pleas
product

⁷⁷ This figure is based on a press-sourced quotation by the managing director in 2014. It has not been verified via the company's official materials, as their annual report is not publicly available.

Pleas produces a total of 13 million items of clothing annually. Each day, 32 kilometers of jersey come out of their knitting machines.⁷⁸ The production volume sold on the Czech (and Slovak) market is minimal; the Pleas brand is practically unseen in national shops. Therefore it cannot be viewed as a national brand saturating the Czech market.

Pleas primarily uses self-owned plants for manufacturing. Their website provides a fair level of detail on all production segments. It includes: Supply Chain Management (Planning, Sales, Purchasing, Warehousing, Production, Cost accounting, Financial Accounting, Scheduling, Transport), Knitting (Yarn, Constructions, Machinery, Specials), Dyeing, Technical and Technological Documentation (Cutting, Sewing, Packing), and Quality (Laboratory, Inspection, Checking, Certificates). They assert that they use top-of-the-line technology and machinery; for example, they describe the Pleas a.s. dyehouse as one of the leading dyeing factories in central Europe due to its equipment.

Workforce, Work Conditions, and Environment

The company employs roughly 750 people.⁷⁹ It is considered the most important employer in Havlíčkův Brod and its surroundings. This kind of source of stable employment is highly valued due to the high local and regional unemployment; the latter was 7.31% in 2014⁸⁰. The number of applicants per vacancy in the Vysočina Region exceeded 100 in 2012; this situation improved with new vacancy openings in 2013 that brought it to only 23 applicants per vacancy.⁸¹

The company employs Mongolian workers, currently only women, as sewers. The estimate is that there are around 15 Mongolians employed at the moment, most of them working long-term.⁸² Some of them help each other as a community and share rented housing in the town. Their status is legal, in compliance with the Czech immigration and work permits system. Their presence in the company is not contradictory to the high unemployment rates, because they represent a cheap and loyal labor force. As such, they are willing to accept conditions under which a certain percentage of local people would rather choose unemployment and collect unemployment benefits than choose such a job. The interviews showed that Mongolians were willing than Czechs to work overtime and “play by the employer’s rules” with less complaining. Even though they face a number of obstacles, such as a language barrier, racial prejudice, and the Czech state’s harsh process for acquiring work and residence permits, their stay in the country and with the employer tends to be long term.

There is a trade union active in the company. It performs collective bargaining, which has resulted in a collective agreement valid for all company employees. The trade union has not been contacted for cooperation on this study. The collective agreement provides for the following employee benefits:

- Professional and individual development
- Career and wage growth
- One extra week of vacation; subsidies for travel and for canteen food
- Seniority remuneration
- Reimbursement for initial and periodic health checkups

⁷⁸ Company website, accessed April 15th, 2015.

⁷⁹ There are no figures for gender and individual positions; this information is not public.

⁸⁰ Statistical Yearbook of the Vysočina Region – 2014, Czech Statistical Office

The general unemployment rate for persons aged 15-64 years (the share of the unemployed in the labor force, that is, in the total number of the employed and the unemployed, as a percentage), seasonally adjusted, was 6.0% in May 2015 and decreased by 0.2% year-on-year. The male unemployment rate, seasonally adjusted, was 5.2%; the female unemployment rate was 6.9%.

Rates of Employment, Unemployment, and Economic Activity – May 2015; Czech Statistical Office, 2015.

⁸¹ http://www.budoucnostprofesi.cz/news.html/16_917-ministry:-unemployment-in-czech-republic-grows-to-8-pct-in-january; Statistical Yearbook of the Vysočina Region – 2014, Czech Statistical Office, 2014.

⁸² This information provided by a contact within the company.

- A company party for employees and retired former employees

Production runs in one or two or three shifts, depending on the volume of orders to be filled. The normal capacity of the knitting mill is based on three shifts a day, five days a week; the same for sewing. If there is a large contract or a bottleneck situation due to a large number of contracts, workers are asked to work **overtime** on top of these shifts. In periods with few or small contracts, workers are asked to stay home with no pay.

The company asserts that its working conditions meet the highest of standards, and that for example the knitting building is fully air-conditioned, and its machines are fitted with enclosed gates for yarn cops, which minimize the generation of dust particles during manufacturing. It speaks similarly regarding environmental measures, mentioning that it e.g. uses its own boiler house and central water treatment for steam and water, and that its environment-friendly water cleaning and recycling processes are in line with environmental protection.

Certificates

Oeko-Tex® Standard 100 – a variety of laboratory tests for fabrics and other processed materials. All products bear this certificate.

ČEKIA Stability Award – The ČEKIA Stability Award provides an independent view of financial and non-financial bonding capacity of a company. It expresses the company's current standing and its financial situation, including its future-risk prediction. This rating index places Pleas a.s. among the steadiest companies in the Czech Republic, pronouncing it a stable company with a high probability of reliably covering trade liabilities, a high-probability return rate on investments, a low credit risk, and a minimal failure risk.

Vysočina – Regional Product – discussed earlier in this case study.

Supporting Data for Living-Wage Discussion

Wages at Pleas a.s.

According to a reliable source, wages provided for sewing and related work are:

- production at least 100% of target: CZK 73 (EUR 2.67) per hour
- production at least 110% of target: CZK 80 (EUR 2.93) per hour
- production at least 130% of target: CZK 90 (EUR 3.29) per hour

Afternoon and night shifts get extra pay in accord with the labor law.

There are motivational benefits for the company's workers. The one we managed to track is a benefit for reliable presence at work. If a worker does not take time off for sick leave, family member care, or any other type of absence for three months, he or she receives a salary benefit. Our source was not sure how much it was, but estimated it as CZK 1200 (44 EUR) per 3 months.

Wages in the Region

	CZK Vysočina Region	CZK Czech Republic	EUR Vysočina Region
<i>Average monthly gross wage (2012)</i>	21,627 ¹⁾	24,245	792
<i>Average monthly amount of pension</i>	10,449 ¹⁾	10,653	383

Source: Statistical Yearbook of the Vysočina Region – 2014, Czech Statistical Office

Overview of Living Conditions in the Vysočina region (2013 Data)

Indicator	Value CZK	EUR
Number of households	201,415	
share of CR households (%)	4.7	
Average members per household	2.5	
Average annual net income per person (CZK)^{*)}	147,846	5,421 (452 per month)
Shares of households by monthly net income per person^{*)} (%)		
below 10,000 CZK / EUR 367	30.6	
10,001 – 20,000 CZK / EUR 367 – 735	57.0	
20,001 – 30,000 CZK / EUR 735 – 1101	9.9	
30,001 CZK and higher / EUR 1101	2.4	
Income / median average net income bracket per capita in the CR^{*)} (%)		
below 40%	1.9	
40 – 50%	2.0	
50 – 60%	5.8	
60 – 70%	5.6	
70 – 80%	10.0	
80% and higher	74.8	
Dwelling type (%)		
in own house	50.2	
owner-occupier	23.7	
co-operative	5.9	
rented	10.0	
other	10.1	
Housing costs, total (CZK per month per household)	4,534	166
rent	634	
electricity	1,591	
gas (from network)	841	
heat and hot water	345	
water supply and sewage collection	366	
solid and liquid fuels	493	
other utilities	264	
housing costs (% of net household income)	14.7	
The housing costs for the household, according to subjective opinion of a household member, are (%)		
a heavy burden	25.5	
a relative burden	65.5	

<i>no burden at all</i>	9.1	
	<i>*) Households' income is measured for the previous year.</i>	

Source: Statistical Yearbook of the Vysočina Region – 2014, Czech Statistical Office, 2014.

Sources Used:

- Company websites and Facebook pages
- Trade union sources
- Interviews
- A press article on anniversaries at Pleas:

http://finance.idnes.cz/reportaz-pleas-havlickuv-brod-dej-/podnikani.aspx?c=A131010_1986429_podnikani_zuk

<http://havlickobrodsky.denik.cz/podnikani/havlickobrodsky-vyrobce-pradla-spolecnost-pleas-slavi-dve-kulata-vyroci-20140103.html>

- The National Trade Register
- The Czech Statistical Office
- A short presentation film for the company:

Czech <https://www.youtube.com/watch?v=LtFVH-Ati2M>

German <https://www.youtube.com/watch?v=uJGIqOezkDE>

English <https://www.youtube.com/watch?v=iAePtYfuFVA>

Worker Profiles

Most people interviewed were very cautious about sharing information and were unwilling to talk about personal and job-related matters. Their major worry was that they would face difficulties at work based on the interview, leading to the loss of their jobs. With those workers who were willing to listen to a few introductory sentences from the researcher, the chances were that they would stay and talk. However, none of them were willing to spend additional time to do a thorough interview away from the street, for two main reasons. First, they generally needed to manage their after-work schedules, pick up children, catch buses, etc. Second, they felt it to be too much to give a stranger so much time and personal information, since they strongly disbelieved that a research and campaign project would lead to significant improvements in their conditions. A general tendency of keeping a distance between people, a certain hostility, and distrust inherited from the past also played a role.

Seamstress

A woman who had been working at Pleas for nearly 30 years was willing to talk with us while walking to the station to catch her connection home.

Her husband works. She started by stating that she is satisfied at work and does not have anything to complain about except for the money. She earns up to 16 thousand CZK per month (587 EUR gross). She does not take overtime work when it is offered, because it is too much for her after the normal eight-hour shift. She says that overtime does not add much money to monthly earnings – that its effect is almost invisible due to how “minutes” are recorded and because the pay is so low overall.

She feels that the German leadership was better than the current Czech one – that there was more justice in the earnings vis-a-vis the work. The work is measured in minutes, and now minutes are more likely to be deducted relative to real minutes worked. The pressure for productivity causes injustice in how the work is measured, and some of the time worked is not paid for as it should be. It often occurs that overtime cannot be paid anyway because the

particular commission (order) has already been paid for, and there is no reserve to take extra money for extra work from.

Mongolian Seamstresses

These interviews were difficult due to language barriers.

A 40 year old woman from Mongolia, where she is educated as a teacher. She has been working for Pleas for six years. She has two children. The whole family lives in Havlíčkův Brod, where the children go to school. She earns a net 12 thousand CZK per month (440 EUR). She regularly takes two hours of overtime on Mondays and Tuesdays. She finds the work very hard but is grateful for having it. She speaks only very basic Czech, but her relations at work are good. Her work contract is not a limited-time contract, and she lives in the Czech Republic under a long-term residency permit.

Another Mongolian seamstress has been working for Pleas for eight years. It is difficult for her to meet their targets, but she manages to earn a gross 16,000 CZK (587 EUR) per month. Some colleagues only barely meet the targets and thus earn less. She has one child and wants to stay in the Czech Republic.

Technician for Maintenance of Sewing Machines and Air Conditioning

This man had worked for Pleas for 15 years. He is satisfied at Pleas, except for his salary. He feels that other employers, such as Bosch in Jihlava, pay more to people in his position. His net pay ranges between a net CZK 13,000 (476 EUR) and 14,000 (513 EUR) per month. In the rare cases where he has overtime, it is always paid appropriately. His team consists of seven or eight technicians.

He takes other jobs after hours and on weekends and holidays to cope with family expenses. These jobs are seasonal or occasional, and are not official and thus do not count for taxes and social benefits.

At Pleas he has 25 days of leave and a 50% discount for the employee canteen. He thinks that Pleas is in good economic shape. However, there are no periodic raises. The last wave of raises was a general increase of CZK 350 (13 EUR). His recollection is that Pleas products are sold on the Czech and German markets and that the owner has just started a new factory in Macedonia.

2 Women from the Cutting and Ironing Facilities

These two women agreed to provide the interview jointly.

They have been working for Pleas for about 10 years and have children. They each earn a net of about 11 thousand (403 EUR) monthly. They usually work in two shifts, sometimes 3. The night shift gets a 30 CZK (ca 1 EUR) per hour extra fee.

They both feel that the conditions are getting tougher. The working shift is 7.5 hours, but they must mark their cards 10 minutes before and 10 minutes after the shift. The targets are very hard to meet, and they only earn their full salaries when the targets are met in full. The friends of their shift leaders and team leaders get better tasks, such ones where the targets can be met faster and more easily.

Their workplace is very loud and full of dust. Jersey is impregnated in this workplace, making the air very bad for breathing. In the summer, it is very hot by the ironing tables. They are worried about carcinogenic fumes from the plastic decorations that are ironed onto the fabrics there. There have been cancer cases they have heard of. There is a health check once per year, but it is very superficial.

They say they are not in the unions, because the unions' activity is very weak.

Their relations at work are poor because everyone there perceives workmates as enemies who want to get better tasks to more easily meet targets.

If they complain, they hear: "if you do not like it, there are X others in line behind you; you can be replaced easily."

There say there is no better employer in the surroundings – perhaps Futaba or Valeo in Humpolec.

They state a dim view of the company's future, reiterating that people fight for work to be able to meet the targets and get paid.

Quality Controller

A woman; she has been working for Pleas for 15 years. She has successfully completed a secondary textile school. She earns a net CZK 11,000 (EUR 403) monthly and does not work overtime.

If she could change something in relation to work, it would be her salary, which is too low.

She is a member of the unions, and happily so – she states that they are a nice group of people and take trips together, and members get a shopping coupon before Christmas. She says that the leader has a strong voice; he works hard to negotiate salaries; recently he negotiated a 1 CZK per hour increase for everyone into the collective agreement.

Case Study: Bernhardt and Vespa Prostějov

The City of Prostějov

Prostějov is located in the Olomouc region, and it also lies within the Haná microregion. It has approximately 44,000 inhabitants.⁸³

It has been a major textile and garment production center since the late 1700s, and it saw large-scale industrialization.⁸⁴ By the end of the 19th century, Prostějov was generating one third of the overall textile and garment production within the Austro-Hungarian monarchy. Local companies exported to the Balkans, North Africa, the Americas, and France. This greatly boosted Prostějov's cultural and civic development. On the other hand, there are worker protests on record against bad labor conditions; the best-known is the brutal repression of a demonstration by hungry workers in 1917.

Prostějov is sometimes called the Jerusalem of Haná, as it had the second largest Jewish community in Moravia, that is, in the eastern half of the modern Czech Republic. Prostějov's Jews played an important role in Moravia's textile industry, often coming into conflict with Christian guilds.⁸⁵

The Situation of the Garment Industry in Prostějov

After the 1948 Communist coup, under the combined effect of the Holocaust, the postwar expulsion of Germans from Prostějov, and the forced nationalization of industry, the city's textile and garment manufacturers were expropriated and their factories forced to join under the national enterprise *Oděvní podnik Prostějov (Prostějov Garment Enterprise)*, which supplied 80% of the national garment production under the planned economy. OP Prostějov was considered a pinnacle of Czech industry, boasting 5,000 employees, 150 stores, and five manufacturing plants scattered nationwide at the height of its success. It once produced clothes for Czech Olympic teams and state officials, and tailored for brands such as Hugo Boss. This giant entered insolvency in 2010; an attempt at a resolution via restructuring followed. This restructuring was unsuccessful, and the company was pronounced bankrupt the same year. Their vast building complex was sold for 50 million CZK (EUR 1,842,000)⁸⁶ to a metal recycling company, and in 2014 it was demolished.^{87, 88} Nineteen OP Prostějov brands were sold off, with two of the sales (the Profashion and William&Delvin brands) making a profit of one million CZK (EUR 36,800) together.

Many analysts, as well as the judges who ruled in the suits against the former managers of OP Prostějov, agree that the bankruptcy was not inevitable and was mainly caused by poor management and by fraud. The court cases with the responsible company leaders are still ongoing.^{89,90}

⁸³ <http://www.mestopv.cz/en/informations-about-town.html>

⁸⁴ Průmysl města Prostějova od 13. století do roku 1989 [Industry in Prostějov from the 13th Century to 1989]

http://www.prostejov.eu/cz/turista/o_meste/prumysl/historie-prumyslu/

⁸⁵ In 1801, Feith Ehrenstamm established a cashmere factory, becoming Moravia's first Jewish factory owner in the area of clothing manufacturing. In 1859, Mayer and Isaac Mandel established the Habsburg Empire's first factory for ready-made clothes.

⁸⁶ All EUR calculations are based on the November 13th, 2015 exchange rate: EUR 1 = CZK 27.15

⁸⁷ https://cs.wikipedia.org/wiki/OP_Prost%C4%9Bjov_Profashion

⁸⁸ <http://ekonomika.idnes.cz/krach-spolecnosti-op-prostejov-d39-/ekonomika.aspx?klic=320016>

⁸⁹ Textile maker needlessly went bankrupt, critics say. Prague Post, May 5th, 2010, <http://www.praguepost.cz/business/4344-textile-maker-needlessly-went-bankrupt-critics-say.html>

⁹⁰ Krach společnosti OP Prostějov [OP Prostějov Bankruptcy – article category], <http://ekonomika.idnes.cz/krach-spolecnosti-op-prostejov-d39-/ekonomika.aspx?klic=320016>

The demolition of the former company's Prostějov buildings in 2014⁹¹ was harnessed by an anti-poverty campaign and for raising awareness about the textile industry's current situation. The organizers outlined the problem via a faked "report" on the demolition and collapse of the Rana Plaza garment factory in Dhaka in 2013 by a non-existent Bangladesh television station.⁹²

Today the former company's spaces house a number of small and medium manufacturers, for example the Japanese polyester textile producer named Toray Textiles Central Europe s.r.o., as well as KAJA s.r.o.; Koutný spol. s r.o.; H & D a.s.; Cíl v.d., etc. There are also a number of producers of real and imitation leather, hiking backpacks, sports bags, and balls, such as GALA a.s.

The Labor Market in Prostějov

The region had to cope with a wave of unemployment after OP Prostějov went bankrupt. Some workers found jobs in its successor companies, some requalified themselves for service and retail jobs, and meanwhile some companies broadened their portfolios.

According to the Prostějov Labor Office⁹³, all of the local textile, garment, and leather manufacturing companies are currently seeking qualified workers in key production areas – primarily seamstresses. The specializations they need are completely ignored by young people, to the point where [apprentice training](#) schools are having to close down. Some companies even face a situation where due to the lack of a suitable workforce, they cannot deliver certain commissions or can do so only at the cost of an enormous strain on the existing staff.

The Labor Office offers free requalification courses for the unemployed. The sewing course has only seen nine participants since January 2014.⁹⁴

The current unemployment rate is 6.38%, which is lower than the average for the Olomoucký region (8.47%) as well as the national average (7.2%).⁹⁵

Wages

The average wage in the Olomouc region is CZK 24,494⁹⁶ (EUR 902). For the manufacturing segment, the regional average monthly gross wage is CZK 22,744 (EUR 837)⁹⁷.

⁹¹ Close call at demolition goes viral, Prague Post, June 30th, 2014, <http://www.praguepost.com/czech-news/39876-close-call-goes-viral>

⁹² Anti-poverty campaign uses 'friendly' hoax, Prague Post, 29 January 2015, <http://praguepost.com/czech-news/44065-anti-poverty-campaign-uses-friendly-hoax>, <https://www.youtube.com/watch?v=fA7mj7c5rYQ>;

<http://bangladeshtv.cz/> Vše o reportáži bangladéšské televize o demolici OP Prostějov [All the Facts on the Bangladesh Television Report on the OP Prostějov Demolition]

⁹³ Interview with Mrs. Jana Bartoňová, Head of the Labor Market Dept. at the Prostějov Labor Office, October 20th, 2015

⁹⁴ Interview with Mrs. Jana Bartoňová, Head of the Labor Market Dept. at the Prostějov Labor Office, October 20th, 2015

⁹⁵ Czech Statistical Office, figures as of March 31st, 2015

⁹⁶ Czech Statistical Office, Tab. L.1 Základní ukazatele v průmyslových podnicích se 100 a více zaměstnanci podle krajů v 1. čtvrtletí 2015 [Prime indicators for Industrial Enterprises With 100 of More Employees by Region, 1st Quarter of 2015]

⁹⁷ Czech Statistical Office, Average Monthly Gross Wages of Employees in the Olomoucký Region by CZ-NACE Economic Activity, 2013

Case Study: Bernhardt

Company name: Bernhardt Fashion CZ, s.r.o.

Location: This company is registered in Prague – Nové Město, Na příkopě 853/12, 110 00. Production is located in Prostějov. There are offices registered in Germany and France for customer support, and there is a salon in Prague.

Ownership: This limited liability company has three equal individual partners – one Czech, one Turkish, one Mexican. The executives are Czech.⁹⁸ This company is connected to another company, AMF Reece, which shares its address in Prostějov and has the same names behind it⁹⁹. AMF Reece CR, s.r.o. is a manufacturer of specialty industrial sewing machines.¹⁰⁰

History: The limited liability company was registered in 2012 and began operations in 2013. The company builds on the brand “Bernhardt Made to Measure since 1936” as described on its website: “The Bernhardt Company that was established in Mittelhessen in Germany in 1936 by Mr. Wilhelm Bernhardt stayed in a leading position within the clothing industry thanks to its continuous development and innovations. In 2001, a traditional Czech producer of formal made to measure wear purchased the company. Company registered office including all of its production capacities moved to the city of Prostějov, the biggest centre of clothing production.” OP Prostějov used the Bernhardt brand in the era when the company was still fully functioning. OP Prostějov also manufactured under the related brands Bernhardt Santoriali, Bernhardt Ceremonia a Bernhardt Trend. The new owners bought the brand upon the bankruptcy of OP. It appears that this purchase took place separately from the auction mentioned earlier. The current Bernhardt company omits this part of the brand’s history in their marketing; they do not mention OP Prostějov at all.

Websites: <http://www.bernhardt-fashion.com/>, <http://www.bernhardt.cz/>

Social networks profiles: <https://www.linkedin.com/company/bernhardt---amf-reece-cr-s-r-o>

Production profile:

Bernhardt is a label for men’s and women’s suits, jackets, trousers, and formal wear. They focus on exclusive products and a personalized and tailor-made individual approach to clients. They offer fast and express delivery services. Their clientele is international; 99% of production is exported. Individual orders can be made online or via Bernhardt’s “mobile tailor” or one of the salons/offices. They also provide short-run production series, as well as [corporate wear](#) such as uniforms for business environments.

Within the Czech Republic their standard delivery time is 3 weeks, or “express” within 5 days (for an extra fee of CZK 2,000 = EUR 73.60), or “super” within 24 hours (extra fee CZK 4,000 = EUR 147.2). Prices for a basic two-piece men’s wool suit rated 100-110 start at CZK 14,500 (EUR 534); when higher-quality wool fabric is used, prices start at CZK 20,000 (EUR 736). The mobile tailor’s visit costs roughly 20% of the final price.

The mobile tailor, when queried, stated that there are sufficient skilled seamstresses available and that all orders are being managed. He is based in Prostějov, but often travels abroad. To visit him in Prostějov, a customer must book ahead; there is no shop or salon there.¹⁰¹

⁹⁸ <http://www.rejstrik.info/cache/get/obchod/29378184/bernhardt-fashion-cz-s-r-o>

⁹⁹ <http://euro.e15.cz/archiv/bernhardt-se-vraci-948669>

¹⁰⁰ <http://www.amfreece.com/>

¹⁰¹ Phone call with the mobile tailor, October 2015.

Workforce, Work Conditions, and Environment

Approximately 170 employees work at Bernhardt. The company hosts no trade unions and has no information on file with the textile and garment unions.

The company runs one shift, which starts at 6 am and finishes at 2 pm. Commuting employees are allowed to start and finish 30 minutes ahead. There is no official overtime. However, workers reported that products often need to be finished immediately due to delivery deadlines, and at those times it is simply impossible to leave by the end of the shift. Pressure and stress are ever-present.

As for working conditions, the interviewed workers complained about heavy air and heat at the workplace due to malfunctioning air conditioning.

Wages

The wages at Bernhardt are set as a combination of an hourly wage and a quota. There is extra remuneration for output on top of the basic wage. Upon a phone request emulating a seamstress interested in employment, an HR representative of the company stated: “Your wage will not be the minimum wage, but somewhat more. The basic hourly wage is CZK 65 (EUR 2.39), and the extras depend on you.”

The problem with “the extras” is that they do not depend on the workers and their abilities, but rather on external factors such as how complicated an individual style is, what materials are used, how many working days there are in a month, and whether or not the upstream task unit is managing to hand pieces over as fast as they should.

The Bernhardt case illustrates how dysfunctional the Czech regulation of the minimal wage is.

Workers Profiles

Workers were asked for an interview in front of the company just after the end of their shift. The women approached were friendly and willing to talk, and the information obtained was much more detailed than at Pleas Havlíčkův Brod. However, the major problem was time. All of them were hurrying on to other duties or travel connections.

Viktorie

Viktorie has been working for OP Prostějov since before the bankruptcy and was happy that the new company kept her on staff together with her fellow seamstresses.

She earns a maximum of a net 9 to 11 thousand CZK (EUR 331 to 405) per month, depending on how much and what kind of work she is given.

According to her, all production is exported.

She describes living with this wage as very difficult. She says: “My husband runs a small business and without that we could not make it. I regularly take on an extra job on Saturdays, and I go cleaning.”

Both children started working this year, which is a new situation and is a major relief financially. The family shares a house with their grandmother. An unexpected expenditure would be unmanageable. When her daughter needed an eye operation, they borrowed money from family and paid it back in chunks.

She stated that the seamstresses have been trying to negotiate a wage increase: “We do raise our voices about the wages; we’re requesting an increase. But now they’ve closed our mouths with an increase that they had to give because the government rose the minimal wage. [For details see the report.] In garment-making we work under worse conditions than cleaning ladies. The leaders of the company should try to live with this wage.” When asked about the way they ask about the wage increase, she says that they mention it to the shift leader. The shift leader is one of the sewers who has gotten one step higher and is responsible for certain aspects of the shift such as tasks division or presence.

Adéla

Adéla was not working on the day of the interview; she had visited her workplace to deal with papers for her absence due to a health condition. When she discovered the payment conditions for the event of her disability (an injury to her hand), she went to complain to the local office of the Czech Social Security Administration (ČSSZ) to claim a dignified compensation for absence from work based on the fact that she has been contributing to the system throughout her whole working life. She could not believe the conditions: "The first 3 days you get nothing at all, then you start getting two thirds of the daily wage, and then starting on the 15th day, you get less than half."

She has been working as a seamstress for 25 years. She earns a net 11 thousand CZK (EUR 405) per month, more or less, depending on what kind of work she gets. Some work requires more time, meaning less delivery on the quota in the same amount of time.

She lives alone in a small apartment. When she divorced, she and her son lived in a house together with her mother. This house was built in the 1950s by the family. When her son left home, they sold the house, and she bought her small apartment.

Describing the wage and her living conditions, she says:

"The wage is only enough to survive with the basics. I cannot have any loans or debts, and I can hardly cover things like the mandatory winter tire change on my car. That for example is my worry at the moment. I need the car to commute to work; I bought it used.

I never make large food purchases; I only shop from day to day, always only buying discounted supermarket items. I think a woman eats less than a man, so I am lucky that way. It was much harder to feed my son."

She was very elegantly dressed, and when asked, she revealed that she made the clothes herself.

When the idea of a living wage was explained to her, she came up with a calculation of a net 15 to 16 thousand CZK (EUR 552 to 589) for her situation.

Her current monthly spending is:

CZK 5,100 (EUR 187) for housing (electricity, heating, water, mandatory fees for waste removal and the house repair fund)

CZK 1,600 (EUR 59) travel to/from work

CZK 4,300 (EUR 158) is left for food and all other living expenses.

She sees other women living under much worse conditions. She noticed that a young colleague next to her never goes for lunch, at most snacks on a dry bread roll, and wears only clothes from second hand shops. She thinks that this is because young people have mortgages or rent if they did not receive a house from their family. She cannot image how she would survive without owning her small apartment.

The work, she says, is very hard. Sometimes there is a huge pressure because DHL is waiting to pick up a product and it is not finished yet despite the fact that everyone has been doing the maximum. Basically every day there is a hectic moment. She knows that there are extra charges for express production of a suit, but she does not know how much. She does not know how much the suits are sold for and would be interested to know.

The working conditions are poor; even in winter it is a scorching 40 degrees inside the hall, not to speak of summer. There are no windows to open, and the air conditioning is very weak.

Dorota

Dorota has been working as a seamstress for two decades – for Bernhardt since its beginning, and before that for its predecessor OP Prostějov. She is divorced and has two children in their twenties; one of them is still living with her at home.

She earns a net 10 to 11 thousand CZK (EUR 368 to 405) per month depending on how many working days there are in a particular month.

She works in the finalization unit for jackets, and the quota is 130 pieces per day. If a jacket is complicated or if the ironing unit runs slowly, she earns less, because fewer pieces are finished.

She lives in a small two-room apartment owned by the municipality.

Her monthly expenditures are:

CZK 3,300 (EUR 121) for rent
CZK 2,500 (EUR 92) for all fees
CZK 630 (EUR 23.2) for gasoline (travel to/from work)
CZK 3,570 to 4,570 (EUR 131 to 168) is left for food and all other needs.
She shares some costs with her son, for example the costs for the car.
She does not take vacations, only making a once-a-year trip to Prague to visit her daughter.
She cannot decide what sum would represent a living wage for her: "My life has been carved according to my income for so long that I simply omit unnecessary things. And I do not trust it is realistic that our wages will be raised any time soon. It has always been like this in the garment industry, and we can be happy there is some production left here and that we have work."

Lidie

Lidie agreed to an interview while walking to the bus station. She had no time because she had to pick up her daughter from school.
She has been working for the company for 12 years. She earns a net of CZK 13 thousand (EUR 478) per month including all bonuses. She is single, with one daughter. She lives in a small apartment with one room and a kitchen.
She tried to calculate some of her monthly spending:
CZK 2,600 (EUR 96) for housing
CZK 790 (EUR 29) for electricity and TV
CZK 1,000 (EUR 37) she puts into a savings account
CZK 500 (EUR 19) for school lunches
CZK 1,200 (EUR 44) for music school for her daughter for 4 months
She goes to Croatia on vacation every other year with her daughter and boyfriend.
The most difficult aspect of her low income is the stress around securing everything a school child needs. She gets most things in second hand shops, which is very time consuming – the same applies for finding out which supermarket has a discount on which food product at a given moment. Her daughter does not take part in expensive national pastimes such as skiing. She estimates that for her a living wage would be CZK 30 thousand (EUR 1105) per month.

Two Women at a Bus Station

A brief interview with two women waiting for a bus.
Both are seamstresses at Bernhardt, are childless, and live in villages outside of Prostějov – one alone and one with a husband. About their income situation, they say: "We earn the minimum wage. It isn't good, especially with our commute – that costs us up to CZK 1500 (EUR 55) a month. But you get used to it, and there is nothing better that we could do here."
They heard in the news that state employees will get a 5% increase of salaries and up to one monthly salary value in annual benefits¹⁰², and they find it very unjust that they have to work under such poor conditions.

Information Sources:

- Company websites
- Interviews with workers
- Interviews with Prostějov Labor Office representatives
- "Undercover" phone call with the HR department in a role of an employment candidate
- "Undercover" phone call with the mobile tailor in a role of a customer

¹⁰² Státní zaměstnanci dostanou přidáno. Ti pod služebním zákonem až o 5 procent [State employees to receive raise – up to 5 percent for those under Service Act], Česká televize, 15. 9. 2015 <http://www.ceskatelevize.cz/ct24/ekonomika/1584826-statni-zamestnanci-dostanou-pridano-ti-pod-sluzebnim-zakonom-az-o-5-procent>

- Press articles
- National Trade Register
- Czech Statistical Office

Case Study: Vespa Prostějov

Factory name: VESPA Prostějov, spol. s r.o.

Location: Prostějov - Krasice, Západní 1/75, 79604

Ownership: The only shareholder in this limited liability company is an Italian company: VESPA S.r.l., with its headquarters at: Angelo Maj street 14/D, Bergamo city, postcode 241 00, Italy. The executive is a Czech woman.

History: Vespa Prostějov was founded in 1994.

Websites: <http://www.vespavv.cz>

Social networks profiles: none

Production profile:

This company mainly focuses on manufacturing classical clothes for men and women – primarily men's and women's suits and coats. The most important international brands for which Vespa produces are [Calvin Klein](#) and the Italian brand [Lardini](#).

All fabrics and preparations are delivered from Italy weekly. The goods that arrive here are then cut, fused, sewn, and ironed.

Workforce, Work conditions, and Environment

Vespa currently employs 120 workers. It employed its lowest number of employees, 91, in 2013.

The company operates in an industrial building complex which is only partially renovated; some buildings are old but functional, and some are in ruins.

There is one shift, which starts at 6 am and ends at 2:45 pm. An hour of overtime is worked practically every day. Every other Saturday there is a mandatory shift from 6 to noon. This provision is medium-term – right now it is certain it will be until the end of February. By law the compensation for Saturday work is either free hours within three months of the Saturday work or an extra 25% above the average monthly wage. When asked, the HR manager states without further specification: "You will get extras for Saturdays."¹⁰³

When asked what happens when a worker cannot come due to childcare needs, the HR manager replied that "family always helps out," and that there are no cases when a worker would not come.¹⁰⁴

There are 20 vacation days yearly, and the dates of leave are strictly ordained by the employer. Contracts with new workers are signed for one year; after this year they may transition to a non-time-limited contract.

The state inspection authority has found violations concerning work conditions, specifically insufficient light, excessive noise, and work that by its nature leads to injury (see Olga's profile below). The workers are overwhelmed overall by the Saturday work, overtime work, and constant pressure. It seems that the company does not want to or cannot enlarge their staff and struggles to manage their commissions while understaffed.

Wages

Wages here are based on a daily quota, and the record of production output is the basis for wage calculations. The HR manager stated that there are five wage categories at Vespa and that they are assigned to workers according to productivity.¹⁰⁵

Before talking to workers, we studied Vespa's job offers, which made it clear that the company works with the minimum wage and uses it as a baseline for workers' wages. As documented by the picture below, they advertise four positions nonstop for the following gross monthly remunerations:

¹⁰³ Phone call with company HR, in the role of a candidate interested in a job offer.

¹⁰⁴ Phone call with company HR, in the role of a candidate interested in a job offer.

¹⁰⁵ Phone call in the role of a candidate interested in a job advertisement. The HR representative did not explain the five categories in detail.

hand sewing

CZK 11,000 (EUR 405)

operating button-stitching machine

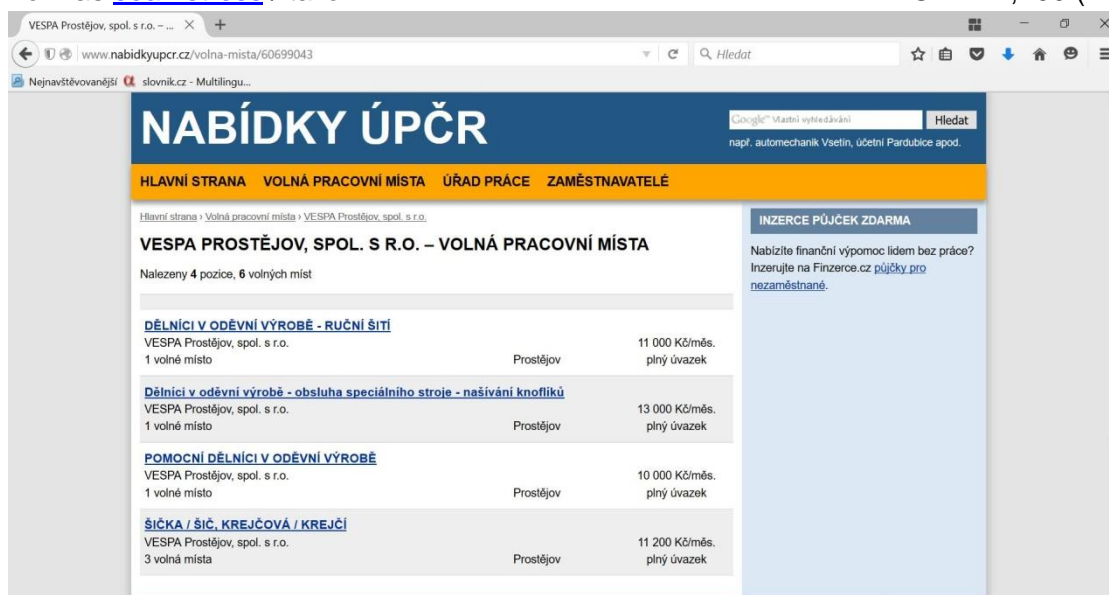
CZK 13,000 (EUR 479)

unskilled garment-production work

CZK 10,000 (EUR 368)

work as [seamstress](#) / tailor

CZK 11,200 (EUR 405)



Picture: Print screen of Prostějov Labor Office website, Job ads at Vespa, October 15, 2015¹⁰⁶

The proclaimed extra earning based on productivity is an illusion. The workers can earn more than the basic wage but if and how much does not depend on their skill and speed but rather on how much and what kind of work they get, how much officially recorded overtime and working Saturdays there are.

Worker Profiles

Edita

Edita earns a net CZK 13 to 14 thousand (EUR 479 to 515) per month including all bonuses. She knows that the women in the ironing unit earn CZK 10 thousand (EUR 368).

She is married and has one school-age child. They live in an apartment with two rooms and a kitchenette. They have a mortgage on this apartment.

She currently spends:

CZK 7,000 (EUR 257) for housing, fees, internet, TV, and phone

CZK 2,000 (EUR 74) mortgage

The rest is hard to calculate because it is shared with the husband.

They go to Croatia on holiday every other year. They have a small used car.

They have nothing left at the end of each month. Alena tries to save money, especially on food; she buys discounted and cheap versions of everything. If there were a living wage, which she thinks should be CZK 5 to 7 thousand (EUR 184 to 257) in addition to what she has now, then her first choice of added expense would be vitamins for the whole family.

She can manage the working Saturdays thanks to her child's grandmother, who lives in the countryside and can take care of the child – both on Saturdays and during school vacations.

Julie

Julie has been working for the company for 15 years. She is married and has one child.

She describes the work as extremely hard, saying that especially with the constant workload and working Saturdays, one can never rest. One of her colleagues had to undergo an operation because she had tendinitis in her arms due to the ironing work. She left the company and

¹⁰⁶ <http://www.nabidkyupcr.cz/volna-mista/60699043>

called in an inspection¹⁰⁷ there. They came to check the workplace and found bad conditions in terms of light, noise, and worker injury risk in the ironing unit. Workers now have to undertake regular ear, eye, and carpal tunnel examinations. If an examination uncovers a problem, the company has to move them to work in another unit. Another woman also had to undergo an operation, and they moved her to the sewing unit.

She earns a net CZK 12,000 (EUR 441) – more or less depending on the work. She cannot imagine how she would survive without her husband. They share all costs. She has no family here, as she came from another country many years ago.

She finds the working Saturdays very limiting and tiring and would like to change that immediately. The fact that they cannot plan holidays is also very bad because it impacts the whole family.

She was in a hurry and could not give more details about spending. If a living wage were possible, she says she would call for CZK 20 thousand (EUR 736), because the national average is even higher.

Sources Used:

- Company website
- Interviews with workers
- Interviews with the Prostějov Labor Office representatives
- “Undercover” phone call with HR department in a role of an employment candidate
- Press articles
- National Trade Register
- Czech Statistical Office

¹⁰⁷ Allegedly from the State Office for Labor Inspection.

NaZemi and Clean Clothes Campaign 2015.



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