

# POLITICKÉ VEDY / POLITICAL SCIENCES

Časopis pre politológiu, najnovšie dejiny, medzinárodné vzťahy, bezpečnostné štúdiá / Journal for Political Sciences, Modern History, International Relations, security studies

URL časopisu / URL of the journal: <http://www.politickevedy.fpvmv.umb.sk>

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Článok / Article: Illusory Corporatism in the Czech Republic. Case Study  
Vydavateľ / Publisher: Fakulta politických vied a medzinárodných vzťahov –  
UMB Banská Bystrica / Faculty of Political Sciences  
and International Relations – UMB Banská Bystrica

**Odporúčaná forma citácie článku / Recommended form for quotation of the article:**

OLEJNIK, M. 2016. Illusory Corporatism in the Czech Republic. Case Study. In *Politické vedy*. [online]. Roč. 19, č. 2, 2016. ISSN 1335 – 2741, s. 112-131. Dostupné na internete: <http://www.politickevedy.fpvmv.umb.sk/archiv-vydani/2016/2-2016/maciej-olejnik.html>.

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## **ILLUSORY CORPORATISM IN THE CZECH REPUBLIC. CASE STUDY**

**Maciej Olejnik\***

### **ABSTRACT**

Corporatism is a system of policy decision-making, in which representatives of trade unions and employers' organisations are included in the process of the government's economic policy formation. The system is based on political transactions. There functioned two versions of this phenomenon (classic and lean one) in the Western democratic countries in the 20th and 21st century. It seems that a new type of corporatism (illusory corporatism) has appeared in some East-Central European countries. The goal of the article is to prove that illusory corporatism has prevailed in the Czech Republic since 1993. There was investigated if the facade political exchange, which is the core of illusory corporatism, dominated the relations among the government, trade unions and employers' organisations in the Czech Republic presented in the article. The findings show that all elements of the facade political exchange (i.e., legitimisation of the government's political decisions by trade unions and employers' organizations, achievement of the benefits from these decisions by the employers due to their liberal character, trade unions' marginalisation in the workplace) repeatedly occurred in the Czech Republic. It turned out that illusory corporatism is a very convenient system of policy decision-making for the government. It enables the government to share the responsibility for its political decisions with trade unions and employers' organizations, although it makes them autonomously. This is why majority of the Czech governments supported illusory corporatism.

**Key words:** illusory corporatism, facade political exchange, the government, trade unions, employers' organisations, the Czech Republic

### **Introduction**

Corporatism is a political doctrine, the roots of which can be found in the Ancient Greece and Ancient Rome (Hegel 1969) as well as in the Middle Ages (Durkheim, 1999). For many years, it referred especially to the ideas of the Catholic Church, to compulsory vocational corporations and visions of class solidarity (Herbut, 2003, Sroka, 2000). The type of corporatism that functioned in many Western democratic countries in the 20<sup>th</sup> and 21<sup>st</sup> Century (for instance

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in Sweden, Denmark, Belgium and Austria) broke off with these concepts. It now bases on group utility and egoism. Contemporary corporatism is understood as a system of policy decision making, in which representatives of trade unions and employers' organisations get (sometimes formal) status of quasi-public state organs and take part in formulation and implementation of the government's economic policy. The structure of links between them and the state usually have the character of tripartite negotiating bodies (Bartyzel, 2003). The crucial element of corporatism is a political transaction that takes place among the government, trade unions and employers' organisations. There have appeared two versions of the transaction in Western states: a political exchange and a general political exchange. There are different approaches to these notions (Molina, Rhodes, 2003, Kenworthy, Streeck, 2005). In this article they are perceived as follows: in the political exchange trade unions gain new social privileges for workers and their organisations from the state and companies in return for giving up demands of wage increase and ensuring social peace. Political exchange constitutes the essence of one subtype of corporatism: classic corporatism, which existed while Keynesian policy was carried out (depending on the country up to mid-1970s or 1980s [Gardawski, 2009]). In the general political exchange, trade unions agree on the liquidation of some social privileges and reduction of wage demands in return for getting a guarantee of being included into the process of policy formation and implementation, and reduction of lay-offs. General political exchange is a basic component of another subtype of corporatism: lean corporatism, which has operated since western governments adopted neoliberal policy (usually in 1980s [Gardawski, 2009]). It must be emphasised that in both subtypes of corporatism employers' organisations strongly cooperate with the authorities because they have similar political interests.

It was wrongly assumed that either classic or lean corporatism would appear in the East-Central European countries after the collapse of communism, especially when tripartite institutions were set up (Ost, 2010). It seems that there has occurred a completely different model of political transaction in these states: a facade political exchange. Trade unions accept their marginalisation in companies and legitimise liberal policy made unilaterally by the government in return for obtaining institutional stability in the workplace and political system in this political transaction. A new form of corporatism (illusory) emerged and it has been based on the facade political exchange. This subtype of corporatism is not only specific for one part of the world (East-Central Europe), but it also exists in

other regions, in which *pacts are made to secure labour's acceptance to the corrosion of union power and a decline in labour condition* (such as Latin America and Asia) (Ost, 2011, p. 19). As in the cases of classic and lean corporatism, employers' organisations also support governments' policy in illusory corporatism due to the fact that goals of these political actors are usually akin. In the article there was a hypothesis formulated: in the Czech Republic, there has prevailed an illusory corporatism since the split of Czechoslovakia in 1993.

In order to verify the hypothesis a wide range of Czech, Polish, and materials from Western countries was examined referring to the phenomenon of corporatism and related notions, the way of functioning of industrial relations in the Czech Republic, the corporatist organisations' political resources, the corporatist institution's competences and the attitude of successive Czech governments towards corporatism.

## **1 Political actors in the corporatist system in the Czech Republic**

There have functioned five corporatist organisations in the Czech Republic since 1993. It must be emphasised that under corporatist organisations we understand such interest groups that are simultaneously inside, sectional, and economic trade unions and employers' organisations. By "inside" we mean that they *are regularly involved in the formulation of policy by ministers and civil servants* [Grant, 2003, p. 267] – i.e. states, in which corporatist system of policy making prevails, inside interest groups are members of corporatist institutions). "Sectional" denotes that they attempt to realise political interests of a definite segment of society and because of that they consist only of its members [Herbut, 2003]), and "economic" expresses that fact that political interests they seek to achieve concern economic issues. In the Czech Republic, these conditions have been fulfilled by the following organisations: the Czech-Moravian Confederation of Trade Unions, the Confederation of Art and Culture (up to 2000, when it lost seats in the corporatist institution), the Association of Independent Trade Unions (since it has become a member of the corporatist institution in 2000), the Confederation of Employer and Entrepreneur Associations and the Confederation of Industry of the Czech Republic.

All of the above-mentioned organisations face the following problems (in a different degree). Firstly, they have too small amount of members in order to be

credible to the employees and employers. The level of trade unions' density fell sharply since the beginning of 1990s up to 2014 (see table 1).

**Table 1: Union density rate in the Czech Republic between 1993 and 2014 (in %)**

Year	1993	1995	1997	1999	2001	2003	2005	2007	2009	2011	2013	2014
Union density rate	64,4	43,5	36,9	30	23,6	22,3	19,7	17,9	17,3	16	13,5	12,9

Source: own compilation based on: Pojer, 2014; Kyzlinkova, Lehmann, Pojer, Veverkova, 2015; Visser, 2013

There are only about 2% of the companies functioning in the Czech Republic, which belong to the representative employers' organisations (Hála, 2010). It can be stated that although about 38% of all workers are employed in these enterprises (Hála, Kroupa, 2006), the absolute majority of employers do not feel obliged to obey the agreements that were concluded by the representative employers' organisations with the government or trade unions unless the law forces them to do it. Secondly, their operating capabilities are limited because they have few material assets. The Czech-Moravian Confederation of Trade Unions, which is by far the biggest Czech trade union confederation, is affected by this problem to the lowest degree. This organisation took over majority of material assets that the Confederation of Czech and Slovak Trade Unions possessed before its split into the Czech-Moravian Confederation of Trade Unions and the Confederation of Trade Unions of the Slovak Republic, which occurred when Czechoslovakia split into two countries. Nevertheless, the Czech-Moravian Confederation of Trade Unions has been in a difficult financial situation for many years, due to a significant decline in revenue caused by the systematic decrease of its members. In the 1990s it was able to cope with this problem through sale of its properties (for instance the Czech-Moravian Confederation of Trade Unions sold a publishing house in 1995. Two years later organisations that belonged to the confederation sold their most valuable asset: a company, which owned a network of hotels [Myant, 2010]). Since then the confederation's revenue has mainly come from membership fees. Other trade unions' confederations has always been in a more critical condition than the Czech-Moravian Confederation of Trade Unions. They are also afflicted by the loss of members, but their membership fee is considerably smaller than the confederation's (Hála, Kroupa,

2006). Moreover, they have never possessed material assets enabling the increase of revenue through different means (e.g., sale of some properties). Representative employers' organisations do not have the substantial material assets either. *They finance their work rather from commercial activities, and only to a lesser extent from member dues.* (Hála, Kroupa, 2006, p. 17) Thirdly, their apparatus is not big and professional enough in order to be effective in relations with the government. Some corporatist organisations employ experts (the Czech-Moravian Confederation of Trade Unions and the Confederation of Industry of the Czech Republic); in the rest of them just ordinary secretariats operate. It should be underlined that *the staff levels of both trade unions and employers are regarded as insufficient, especially with the broadened agenda following the EU accession* (Hála, Kroupa, 2006, p. 18). Czech trade union movement has additional serious problems. Although it is very easy to set up a trade union in the company (the Czech law assumes that it can be done by just three employees [Hála et al., 2002]), these organisations are absent in the absolute majority of the enterprises. *According to the European Company Survey, in 2009 (...) a trade union was present in 17,6% of Czech companies* (Geissler, 2011). In comparison to 2005 the number of companies, in which at least one trade union was functioning, it fell by 661 (from 6793 to 6132 [Geissler, 2011]). Moreover, Czech trade union movements has had very low capacity for mobilisation, especially during last decade of the 20<sup>th</sup> Century and first decade of the 21<sup>st</sup> Century. Although successive governments made some significant liberal political decisions and broke political agreements concluded with corporatist organisations, trade unions' confederations did not organise any general strike until 2011 and hardly ever organised large-scaled demonstrations against their policy (Pollert, 2001, Korcová, 2004, Hála, Kroupa, 2005a, Pojer, 2014). Taking into account all corporatist organisations' weaknesses analysed in this article, it should be clear why trade unions' confederations defend workers' political interests in so ineffective ways and mainly legitimise governments' political decisions, as well as why employers' organisations are only able to support governments' liberal policy and rarely take their own initiatives.

There existed twelve governments between 1993 and 2013 in the Czech Republic. Five of them were centre-right (1993-1996, 1996-1998, 2006-2007, 2007-2009, 2010-2013), four centre-left (1998-2002, 2002-2004, 2004-2005, 2005-2006) and three independent (1998, 2009-2010, 2013). Only **Václav Klaus's** first government (1993-1996) wanted to dismiss the idea of corporatism. It planned to withdraw from the corporatist institution in the mid-

1990s and become a mere observer of discussions between trade unions and employers (Hála et al., 2002, p. 10). This government desired to reduce any kind of consultation with corporatist organisations concerning economic policy and take full responsibility for its actions. Finally, under pressure of the representative trade unions and employers' organisations it decided to uphold the tripartite negotiation formula. Nevertheless, government changed the statute of the corporatist institution and limited its competences in 1995 (Towalski, 2011). **Klaus's** second government (1996-1998) returned to the illusory corporatism when the Czech Republic fell into the economic crisis in 1997. In return for strengthening representative trade unions' and employers' organisations' institutional stability within political system via enlargement of the corporatist institution's competences, the government expected from trade unions to prevent a general strike outbreak, while it was implementing austerity measures. Representative trade unions as well as employers' organisations agreed to take part in this facade political exchange. The Czech-Moravian Confederation of Trade Unions stopped other social groups from organising a general strike (Pollert, 2001). Since then, illusory corporatism has become a dominant feature of policy-making. Of course, Czech governments sometimes make concessions on social issues for trade unions (e.g., adoption of a new, pro-union labour code). Such decisions, however, were often annulled (at least partially) soon after their implementation. It must be underlined that majority of the governments' political decisions referring to the economy were liberal. While governments were making them, they were attempting (usually successfully) to maintain social peace and share the responsibility for these decisions with corporatist organisations. It is worth noticing that the existence of a close relationship (but not an alliance) between the Czech-Moravian Confederation of Trade Unions and centre-left governments did not cause the change of the system of policy making (for instance from illusory corporatism to classic or lean corporatism) in the state when social democratic party was in power. Other corporatist organisations do not have political affiliation with political parties.

## **2 The corporatist institution in the Czech Republic**

There has existed one significant corporatist institution in the Czech Republic: the Council of Economic and Social Agreement of the Czech Republic (it was called the Council for Social Partners' Dialogue in 1995-1997). The commission was created in 1990 as one of the two complementary institutions

for the Council of Economic and Social Agreement functioning at the federal level in Czechoslovakia (the Council of Economic and Social Agreement of the Slovak Republic was the second one). The Council of Economic and Social Agreement of the Czech Republic has no legal legitimacy. It acts only based on a statute, which is established by the government. Contracts concluded during the sessions of the committee are not binding to corporatist organisations as well as the authorities (Towalski, 2011). Such a construction of the commission diminishes its importance within the political system. It can be stated that the effectiveness of the Council of Economic and Social Agreement of the Czech Republic is completely dependent on the will of the government. Due to deficiency of the political resources, corporatist organisations are not able to force the government to comply with its commitments. Without the law imposing implementation of the agreements made at the commission's meetings on the authorities, it is the government who decides, which of them will be respected and which will not.

Since the Czech Republic has become an independent state there have been established four different statutes defining the way the Council of Economic and Social Agreement of the Czech Republic functions (1995, 1997, 2000, and 2004). The first statute limited the competencies of the commission significantly in comparison to the statute adopted in 1992 (Hála et al., 2002). Since 1995, the committee could have considered *four subjects*:

- *labour relations, collective bargaining and employment,*
- *wages, salaries and related issues,*
- *occupational safety,*
- *social issues* (Hála et al., 2002, p. 11).

The area of work of the commission was markedly widened in 1997. The Council of Economic and Social Agreement of the Czech Republic became a place, where the following topics could have been analysed:

- *economic policy,*
- *labour relations, collective bargaining and employment,*
- *social issues,*
- *wages and salaries,*
- *the public sector,*
- *occupational safety,*
- *integration of the Czech Republic into the European Union* (Hála et al., 2002, p. 12).

Neither in the statute from 2000 (Hála et al., 2002), nor in the one from 2004

(Hála, Kroupa, 2005b) did the area of issues that can be examined at the sessions of the commission shift significantly.

In the statutes there were defined rules of functioning of the commission's organs and the criteria, which trade unions and employers' organisations have to meet in order to be a member of the Council of Economic and Social Agreement of the Czech Republic. Depending on the statutes they were very different (Hála et al., 2002, Hála, Kroupa, 2005b). Nonetheless, the changes concerning the structure of the committee introduced to any of them did not influence their efficiency (or rather lack of it).

### **3 Illusory corporatism in the Czech Republic**

The article's hypothesis (illusory corporatism has prevailed in the Czech Republic since the split of Czechoslovakia in 1993) was validated by the fact that three types of behaviour typical of illusory corporatism have dominated the relations among representative trade unions, employers' organisations (also individual employers) and the government. Firstly, in illusory corporatism violation of social pacts' terms favourable for employees by the government do not cause a general strike or massive, long-term protests organised by representative trade unions. Instead of these actions, they express their dissatisfaction with the authority's behaviour at the session of the corporatist institution, their organisation's meetings or small, meaningless demonstrations, etc., which do not influence the government's policy. In this place there should be explained why social pacts are playing a significant role in building trustworthy tripartite relations. They can be defined as *publicly announced formal policy contracts between the government and social partners over income, labour market or welfare policies that identify explicitly policy issues and targets, means to achieve them, and tasks and responsibilities of the signatories* (Visser, 2013, p. 14). The breach of social pacts by one of their side always causes loss of the credibility to them among other sides of agreements. If they do not give a powerful response to such behaviour, they will become unreliable among their supporters and members and prove to them that it is the institutional stability (e.g., possession of seats in the corporatist institution), which is the most significant political interest for signatories to the agreement, not realisation of the demands of workers, labourers, etc. This situation rarely takes place in the classic or lean corporatism, but, as it was mentioned above, is very often met in the illusory corporatism. In the Czech Republic there were

two social pacts concluded (so called the General Agreement in 1993 and 1994) (Visser, 2013). These documents were *defining conditions of employment and income policy* (Ianková, 2002, p. 5). Both of them were broken by the government. It can be especially seen in case of the first agreement, which was more detailed. Instead of organizing a general strike till the government's commitments are fulfilled, the Czech-Moravian Confederation of Trade Unions prepared the *document entitled "Viewpoint of the trade unions towards the fulfillment of the General Agreement of the Czech Republic", that was submitted to the tripartite [commission] (...) the document includes a long list of substantive points in which the 1993 General Agreement was not upheld* (Orrenstein, 1994, p. 202). It must be underlined that representative trade unions did not take any other actions against the government, although it did not shift its policy. In case of the second agreement, which was not complied by the government, trade unions organised a few demonstrations, in which they expressed their disappointment at the government's liberal policy. Even though these actions did not change the government's behaviour, the social peace was preserved. Employers' organisations were supporting the policy's authority. This type of relations is located within the facade political exchange and confirms the existence of the illusory corporatism in the Czech Republic.

Secondly, in illusory corporatism representative trade unions and employers' organisations legitimise political decisions made unilaterally by the government, which are in the majority of cases favourable only for the latter interest groups. Below there are presented some examples of liberal policy that were adopted by the successive Czech governments since 1993. There was introduced a pension reform containing *the creation of individual, private pension plan, funded in part by a state contribution (...) that would provide less than 50% of the average wage* (Orrenstein, 1994, p. 200) and increase the retirement age in 1993-1994 (Orrenstein, 1994). Representative trade unions opposed to these changes at the sessions of the Council of Economic and Social Agreement of the Czech Republic. Instead of them they e.g., wanted to impose mandatory fees on employers in order to guarantee higher pensions. The government refused to include trade unions' proposition in the reform. Despite the fact, that they were not able to achieve any concessions via discussion at the tripartite commission, they decided to remain in it and did not organize significant protests, such as a general strike, which could have forced the government to fulfil some of their postulates. In that way they legitimised the government's political decision. Employers' organisations did it as well.

In 1997 some occupational groups (e.g., public sector employees, especially doctors and nurses) were ready to stand up to the government (even organised a general strike), unless their political interests are achieved. This example was mentioned in the earlier part of the article (Political actors in the corporatist system in the Czech Republic) and it refers to the economic crisis that took place in 1997, when the tripartite commission's competences were strongly limited. The government wanted to get out of the economic crisis via introducing additional austerity measures and refusing to meet the demands of the occupational groups. Looking at the outcome of this clash over the economic policy, we may conclude that the most significant political interest of the strongest representative trade union (the Czech-Moravian Confederation of Trade Unions) was not advocating the postulates of the occupational groups, but regaining its position in the political system through rebuilding the corporatist institution. *When it comes to industrial action, the traditions prioritizing respectability over militancy prevailed. When tripartism was restored in 1997, ČMKOS [the Czech-Moravian Confederation of Trade Unions] subdued growing calls for a general strike in favor of defending the economy* (Pollert, 2001, p. 23) which was eventually done via implementation of some austerity measures by the government. It should be emphasised, that representative trade unions attempted to achieve political interests' of the occupational groups at the sessions of the tripartite commission, but did not succeed in this area. We may assume that in return for extension of the corporatist institution's competences, they legitimised the government's liberal policy. Again, employers' organisations were supporting liberal political decisions made by the government.

In 2003, the government introduced a fiscal reform in order to find some savings and be able to join the Euro zone after accession to the European Union. It is worth mentioning that the Czech Republic fulfilled the convergence criteria in 2004 and did not enter the Euro zone because of the political reasons (especially because of the president **Klaus's** resistance [Bohle, Greskovits, 2012]). These reforms were favourable especially to the employers (the corporate tax rate was reduced from 31% to 28% in 2004 and to 24% in 2006 [later it was reduced by another 5 percentage points), [OECD, 2005]). Depending on the employees, some of them lost out on the reform, the others gained only little. The most significant change concerning them referred to the VAT. On one hand, standard level of VAT was lowered from 22% to 19% (it should be noted that it was also beneficial to the employers). On the other hand, some significant goods and services *moved from the "reduced rate" of 5% to*

the "standard rate" (OECD, 2005, p. 53) (e.g., *telecommunication (...) real estate services, (...) restaurant services, (...) veterinary care* [OECD, 2005, p. 74-75]). The program included also some aid to the poorest citizens and families with children (OECD, 2005). Corporatist organisations did not play a significant role in shaping this reform. It was consulted with them at the Council of Economic and Social Agreement of the Czech Republic, but decisions were made autonomously by the government. As we proved above, the program was primarily beneficial to the employers. Representative trade unions as well as employers' organisations just accepted this fact.

The Czech Republic introduced anti-discriminating law as the last country in the European Union (Equal Rights Trust, 2009). It forbids any kind of discrimination inter alia in such issues as employment and forces them to treat all workers equally. It should be underlined that the law was adopted five years after the deadline (in 2009) and under European Commission's pressure, which *threatened the Czech Republic several times with a lawsuit at the European Court of Justice (ECJ) for its failure to incorporate [these] EU regulations into national law* (Doleelová, 2008). Representative trade unions did very little at the sessions of the corporatist institution or through other means to persuade the government to introduce this law, although it included basic and the most important employees' rights that exist in the democratic countries. For instance, until new legislation was implemented there did not function *a legal definition of forms of discrimination* in the Czech law [Equal Rights Trust, 2009]). Employers' organisations did not do anything considerable to introduce this law, because it was not in their political interest to do so. The tripartite commission turned out to be a useless institution in this fundamental socio-economic matter.

The successive governments were refusing to raise a minimum wage for six consecutive years (between 2007 - 2013) in the Czech Republic. It must be emphasised that the governments' decisions about maintaining the level of minimum wage at the same level for such a long period should be perceived as highly liberal. In this respect we also need to take into account the fact that in 2008 *the ratio between the minimum wage and average wage fell to just over 30%, according to the Czech-Moravian Confederation of Trade Unions* (Novák, 2008). Employers' organisations were fully supporting governments' political decisions. For couple of years representative trade unions expressed their dissatisfaction with this policy only at the meetings of the Council of Economic and Social Agreement of the Czech Republic (Novák, 2008) and did not organise any large protests referring to this issue.

The trade union movement finally stopped legitimising liberal policy of the authorities in 2010, when **Nečas's** centre-right government was formed. This government did not respect the only significant symbolic (i.e., not binding) pact that was concluded between corporatist organisations and the previous government in the 21<sup>st</sup> Century [Veverková, 2013]. The agreement was prepared in the first half of 2010 as an answer to the world's economic crisis. It *aimed at recovery of the Czech economy, employment growth and a reasonable management of public expenditure* [Veverková, 2010]. The document is not analysed in a more detailed way in this article, because Nečas's government immediately annulled it. Instead of implementing its content, new government introduced some extremely liberal reforms (e.g., a healthcare reform [Nohl, 2011], liberalisation of the labour code [Veverková, 2011], a pension reform [Jirák, 2013]). It should be underlined that **Nečas** tried to gain legitimisation from corporatist organisations for his policy. He wanted to consult them at the sessions of the Council of Economic and Social Agreement of the Czech Republic, although he was not ready to make any considerable concessions to the representative trade unions or employers' organisations. This time trade unions refused to participate in this process. They took several serious actions that undermined the government's position among the citizens. They withdrew from the tripartite commission (Veverková, 2012a), organised a general strike that *stopped railway transport for the entire day* (Hála, 2011) and organised the biggest demonstration against the government's policy since the emergence of the Czech Republic (over 80.000 people took part in it [Veverková, 2012b]). Representative employers' organisations supported government's political decisions. Nevertheless, there did not occur any facade political exchange in the Czech Republic, while **Nečas** was a Prime Minister of the state.

Thirdly, in the illusory corporatism employers significantly reduce the trade unions' position in the majority of companies (such a phenomenon occurred to the lesser extent in the public sector). The trade unions' main purpose is to gain institutional stability at the company level. They are not able to effectively defend interests' of their ordinary members in the workplace. There are couple of proofs confirming that this situation takes place in the Czech Republic. It should be noticed that employees did not take advantage of the successes of the Czech economy for some years. Despite the considerable, steadily growing profits, the biggest companies conducted mass layoffs in the Czech Republic. This is why majority of the citizens claimed that the Czech Republic's economy was in a bad condition, although there was a systematically recorded higher

growth in GDP (Gross Domestic Product) (Hála, Kadavá, 2004). It has to be underlined that Czech workers could not have counted on the trade unions' aid neither in the period of prosperity, nor in the period of crisis. There were very few strikes in the Czech Republic (altogether there were 30 strikes in the analysed period, see table 2).

**Table 2: The number of strikes in the Czech Republic**

Analysed period	1992-2002	2004-2007	2010-2013
Number of strikes	20	2	8

Source: own compilation based on: Korcová, 2004; Kyzlinkova, Lehmann, Pojer, Veverkova, 2015; Martin, R. 2013

A collective bargaining agreement might be alternative and more peaceful means of achieving trade unions members' interests in the workplace than a strike. In the Czech Republic there can be negotiated two types of the contract: *enterprise-level collective agreements (ELCAs), concluded between the appropriate trade union body and an employer; and higher-level collective agreements (HLCAs), concluded for a majority of employers between the appropriate higher-level trade union body and one or more employer organisations* (Kroupa, 2006). Both of them rather do not live up to employees' expectations. The HLCAs cannot be negotiated in the public administration entities because there are no employers' organisations that exist in this area of economy. It should be underlined that private companies that belong to the employers' organisation usually force it not to conclude a HLCA. The reason for such an action stems from the fact that a HLCA would be binding for enterprises even if they leave the employers' organisation. Once the agreement is signed, it covers workers employed in these companies up to its expiration. Moreover, majority of HLCAs have a general character and they do not influence the regulations concerning workers' conditions at the company level significantly (Towalski, 2011). It should be noted that since 2005 a HLCA can be extended to other companies operating in the sector, which is regulated by the HLCA, that are not members of the employers' organisations. The extension of the HLCA can only take place on the joint request of the strongest trade union and employers' organisation that function in the sector. This procedure has enabled corporatist organisations to cover about 225.000 employees more than before it was introduced by the HLCAs (Fulton, 2013). These numbers are not impressive taking into account the fact that at the moment over 1.3 million

workers are covered by the collective agreements. (Fulton, 2013). From the trade union's perspective, the quality of ELCAs is low and it systematically decreases, at least in one of the most important issues of this type of agreements: a regulation of the minimum wage. The level of minimum wage was fixed in 45%-60% of ELCAs in 1993-1995, 20%-30% in 1998-2000 and 5%-15% from 2004 to 2011. (Štěpánka, 2013) Trade unions do not obtain any help from the state during negotiation of the collective agreements. They have been created, with few exceptions, in an uncoordinated way (it means that this process is controlled merely by the market) (Visser, 2013). Of course, it is better for the employees to be covered by the collective agreement than otherwise. A collective agreement cannot contain provisions, which are unfavourable to the employees. Therefore, it is worth noting that the percentage of employees covered by the collective agreements fell distinctly (see table 3).

**Table 3: Collective bargaining coverage in the Czech Republic between years 1995-2012 [in %]**

Year	1995	1999	2003	2007	2011	2012
Collective bargaining coverage	56,3	42,5	37,7	34	40,9	38

Source: own compilation based on: Fulton, 2013; Visser, 2013

Such decrease has to be perceived as a trade unions' failure in relations with the employers. According to the arguments presented in the paragraph, we may assume that trade unions are not capable of protecting interests of many workers. Because of the fact that they do not take any considerable actions to change this situation it has to be concluded that they are unable to do that and just aim at securing their institutional presence in the private companies and public sector entities.

There is no doubt that the facade political exchange has prevailed in relations between the government and corporatist organisations (and their members). It must be however emphasised, that there can be found examples of relations among these actors, which were advantageous to the trade unions and do not fit the illusory corporatism. Many of them were reversed. The most interesting illustration of such a situation was pointed out in the earlier part of the article (Political actors in the corporatist system in the Czech Republic) and it concerns the process of formation as well as the content of a new labour code, which was beneficial mainly for the employees. In this case the

government was closely cooperating with the Czech-Moravian Confederation of Trade Unions, and upheld some of its promises. Representative employers' organisations did not participate in these negotiations because they were confident that their proposals would not have been taken into account by the government. The document entered into force on 1<sup>st</sup> of January 2007 (Valterová, 2008). It has to be underlined that the Constitutional Court annulled some significant regulations favourable to the employees and trade unions one year later (Hála, Veverková 2008). In 2011 and 2012, further amendments weakening its pro-employee character were implemented. (Veverková, 2011, Veverková, 2012c) It can be stated, that although there was adopted the law that was favourable to the social side, it did not last for a long period in such form.

## **Conclusion**

In the article, we have presented a comprehensive analysis of the relations among the government, representative trade unions as well as employers' organisations (and the employers themselves). Its strongest point concerns the fact that these relations were examined through the prism of a new phenomenon - illusory corporatism.

The hypothesis advanced in the article was confirmed. Illusory corporatism has prevailed in the Czech Republic since 1993. Our research proved that the facade political exchange, which is the core of the system, occurred many times in the Czech Republic. Furthermore, it referred to the most important economic issues, which in the democratic states are objects of the political transaction among representative trade unions, the government and representative employers' organisations (e.g., employment and income policy, fiscal reforms, austerity measures, collective agreements).

There have taken place all three types of behaviour specific to illusory corporatism in the Czech Republic. Firstly, the government broke social pacts beneficial to the employees and did not meet with strong reaction from representative trade unions. Secondly, corporatist organisations legitimise the government's autonomous policy, which has a liberal character. Thirdly, the employers and their organisations have marginalised the trade unions' position in the workplace. Trade unions mainly concentrate on sustaining institutional stability in the companies and the public sector entities. They are incapable of defending workers' interests.

Representative trade unions as well as employers' organisations face similar (to the various extent) problems (too small amount of members, few material assets, and their apparatus is not big and professional enough). Representative trade unions have some additional problems concerning their absence in the majority of Czech companies and the low level of mobilisation. Corporatist organisations achieve their political interests only when they coincide with the government's goals. These are the employers' organisations, which often attain their interests due to the fact that governments usually make liberal political decisions. The majority of Czech governments have supported the existence of illusory corporatism. The tripartite commission that functions in the Czech Republic is used by the successive governments to maintain this system of policy decision-making.

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