



Country report: (1) National system

Czech Republic

Czech Company Law and Employee Interest Representation

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In the Czech Republic companies are regulated by the Commercial Code (No. 513/1991). The relevant regulations are included in the second part of the Business Act, which permits the foundation, development and operation of only five types of trading company:

1. joint partnership;
2. limited partnership;
3. limited liability company;
4. public limited company; and
5. cooperative society.

Companies are divided into “partnerships” or “personal” companies and “investment/capital” companies. Personal companies can be founded only for the purpose of business activities, and the structure of investment companies is strictly formalised.

While the supreme authority of public limited companies and limited liability companies is the shareholders, cooperative societies are governed by a meeting of all the members, not just the shareholders.

The management organs are the chief executive officer (CEO) for limited liability companies, and the board of directors for public limited companies and cooperative societies.

Advisory boards, like supervisory boards, are optional for limited liability companies and obligatory for public limited companies, just as control commissions are mandatory for cooperative societies.

In contrast to the other new EU members, employee financial participation, even as a consequence of privatisation, is fairly poorly developed in Czech companies. Employee participation in company development and governance is very limited; similarly, employees have not been active in demanding such rights in substantive discussions on improvements that would benefit both employers and employees.

Law No. 120/1991, regulating aspects of trade union–employer relations, protects employee interests. The law regulates partnerships with both existing and newly established trade unions. According to the Labour Code, when a majority of employees are worried about some aspect of company operations, the employer is obliged to discuss the matter with union representatives or request their approval before proceeding. The union organisation with the highest membership within the company has proportionately more say, but all union organisations operating at the same employer must discuss collective agreements as a group and reach consensus.

Until 2000, the trade unions were the only body representing employee interests at company level. According to the EU Directive, all EU member states are obliged to facilitate, through the relevant national governing body, communications between employers and employees, or their representatives, whether they are trade union members or not. To this end, in 2000 the Czech Republic passed the Labour Code amendment act which regulates communications through works councils and representatives for safety and health at work.

Implementation of these new forms of employee interest representation makes social dialogue possible, even in companies with more than 25 employees without trade union representation. Employee interest representation in the Czech Republic is dualistic: trade unions (indirect) and works councils (direct). However, trade unions are authorised to act on behalf of employees and are the sole representative of their interests as regards employment law.

The Czech Republic has ratified Council Directive 94/45/EC on *European Works Councils*, and regulated the procedure for companies and company groups operating within the EU to promote dialogue between management and employees. Since in some EU countries multinational structures were not taken into consideration, it was necessary to provide all employees with the right to information and consultation.

Based on this Directive, European Works Councils or similar forums for informing employees of multinationals may be established in companies operating in two or more EU states. The Council Directive defines certain terms and procedures: although EU member states retain the right to define employees' representatives, the Directive requires specific protections, a minimum level of consultation and information and a number of other things.

As regards impact on working conditions, one of the most important issues in the Czech Republic is collective discussion of collective agreements, which give employees some influence over the running of their company.

As regards working hours, the new legislation defines the period during which hours can be scheduled irregularly, and reduces the permitted duration of standby work to 400 hours per year and of overtime.

Possibilities are also increased for supplementary wage payments, such as an increase in the minimum wage and higher wages for night shifts and for difficult and unhealthy working conditions.

Unfortunately, many employers still pay little attention to collective agreements, which also reflects the fact that management still undervalues issues of motivation and competition for the best employees is still not intense.

Collective agreements still lack measures obliging management to information and consultation. Further training and education opportunities for employees are also very poor. Finally, collective agreements continue to address specific commitments to workplace improvements in a very general way.

In the Czech Republic, wages have become a particularly important aspect of collective agreements. The number of employees covered by collective agreements has declined, but the Labour Code amendment of 2000 extended the scope of collective agreements to include, for example, increased severance pay (by further multiples of average earnings), and increased compensation: for instance, 80% of average wages during slow periods, 60% of average wages for interruptions of work due to adverse weather conditions.