

BARSERVICE



Towards smart bargaining in the financial sector in Czechia

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Table of contents

Executive summary	1
I. Sector identification and trends	2
II. Current state of collective bargaining	3
III. Challenges to collective bargaining	5
IV. Towards Smart Bargaining	8
V. European Perspectives	9
VI. Conclusions	10
References	10

Executive summary

The report analyses the state of collective bargaining in the financial sector in Czechia, focusing on the challenges and opportunities for "smart bargaining" amidst rapid digital transformation and changing labour dynamics.

The Czech financial sector, primarily dominated by banks, has experienced significant digitalization, leading to workforce reductions and shifts in job roles. The average wages vary significantly, with well-paid positions in IT and risk management overshadowing lower salaries in branch offices. Collective bargaining remains highly decentralized, with sector-wide agreements providing minimal impact compared to company-level negotiations. Unionization rates are low, and union coordination faces fragmentation and distrust, hindering progress on comprehensive agreements.

Key challenges include the "free-rider" problem, employer preference for company-level bargaining, and the lack of trust between unions and employers. Additionally, the rapid digitalization of banking services requires unions to address workforce upskilling and retraining needs to safeguard jobs.

To overcome these challenges, the report suggests implementing smart bargaining strategies, such as fostering union unity, advocating for stronger sectoral agreements, addressing free riding through legal frameworks, and negotiating collaborative solutions for digital transformation. These approaches aim to strengthen collective bargaining and ensure equitable working conditions across the sector.

I. Sector identification and trends

The Czech banking sector continues to be one of the most stable in the European Union.¹ The Czech financial sector comprises of mostly banking institutions, insurance companies and investment firms. Commercial banks dominate, with major players like Česká spořitelna, Československá obchodní banka (CSOB), Komerční banka, and Raiffeisenbank. Insurance firms such as Generali Česká pojišťovna and Allianz Česká republika are also significant. At the end of 2022, Česká spořitelna was the largest provider of client loans, with a 22% market share, followed by ČSOB (21%) and Komerční banka (19%)².

In 2023, the financial sector in Czechia employed an average of 127,000 people.³ The Czech banking sector has experienced a notable decline in its workforce, primarily attributed to the digitalization of banking services, branch closures, and organizational restructuring. The COVID-19 pandemic significantly accelerated this trend, with around 1,100 employees, or 2.5% of the sector's workforce, departing between March 2020 and March 2021. Experts highlight that automation and digitalization are transforming professions within banking and insurance at an unprecedented pace. Estimates suggest that up to half of the jobs in finance could be at risk, a higher proportion than in other specialized fields. Banks are increasingly focusing on cost reduction, a strategy intensified by the pandemic and the shift of a significant portion of the population to online services.⁴

The average wage in the banking sector in Czechia is 50,000–60,000 CZK (€1,993.40–€2,392.05), largely due to well-paid positions in IT, risk management, and auditing in big cities like Prague. However, wages in branch offices are significantly lower, around 30,000–35,000 CZK (€1,195.96–€1,395.34), with client centres earning even less. The sector's minimum wage is set at 26,000 CZK (€1,036.83), which is being criticized by unions as inadequate given the industry's high profitability and the necessary qualifications of employees.⁵

¹ <https://cbaonline.cz/stranky/o-bankovnim-sektoru>

² <https://www.fio.cz/zpravodajstvi/odborne-clanky/290120-predstaveni-ceskeho-bankovniho-sektoru-vyvoj-balance-bank-a-struktura-jejich-aktiv>

³ <https://csu.gov.cz/produkty/employment-and-unemployment-as-measured-by-labour-force-survey-annual-averages-2023>

⁴ <https://www.e15.cz/byznys/finance-a-bankovnictvi/banky-zivi-nejmene-lidi-za-poslednich-sest-let-pandemie-si-vyzadala-sve-1381996>

⁵ Interview conducted within CELSI with a representative of a Czech banking union as part of the TRUE Europe project.

II. Current state of collective bargaining

Collective bargaining in the Czech banking sector is primarily conducted at the company level, with only limited sector-wide agreements in place. These sectoral agreements tend to be weak, symbolic, and lack substantive binding provisions. Although some agreements, such as the recent increase in the sectoral minimum wage, offer minimal standards, they hold little value for larger banks. These banks typically negotiate higher wages and better benefits independently, without relying on sectoral agreements. As a result, the gap between the conditions offered to employees at large banks and smaller institutions is significant. Employers in the banking sector overwhelmingly favour company-level bargaining, prioritizing negotiations that are tailored to the specific needs and circumstances of their organizations. The larger financial institutions, in particular, have little incentive to push for stronger, more comprehensive sectoral agreements, further exacerbating the challenges faced by smaller organizations, which are more dependent on sector-wide regulations. Consequently, smaller banks are left inadequately represented in collective bargaining processes. Union coordination in the Czech banking sector is fragmented, with low trust between unions and internal dynamics that often undermine effective negotiation efforts. The lack of unity and clear strategic direction among the various trade unions makes it difficult to present a unified front in negotiations with employers. This disunity hampers the unions' ability to push for more favourable sectoral agreements and weakens their bargaining power overall. Employers, on their part, continue to resist the creation of robust sectoral agreements, preferring to keep them declarative and general in nature. This stance further limits the potential for substantial changes in working conditions for employees across the sector. Building effective and collaborative relationships between unions and employers has proven to be a significant challenge. The scepticism within unions regarding the intentions of employers further complicates the establishment of the trust necessary for meaningful negotiations. Many union members are hesitant to engage in negotiations with employers whom they view as untrustworthy or unwilling to make substantial changes. This distrust creates an environment where negotiations are often characterized by suspicion and reluctance, making it difficult to achieve progress on important issues such as wages, working conditions, and employee rights. As a result, collective bargaining in the sector can be characterized as largely decentralized, with each employer and union operating within their own spheres, often without a coordinated or sector-wide approach.⁶

⁶ Interview conducted within CELSI with a representative of a Czech banking union as part of the TRUE Europe project.

In 2019, the unionisation rate in the sector was 11%, with a total of 6,481 trade union members.⁷ In recent years, many new banks have emerged in the country, such as Air Bank and mBank, which continue operating without their own trade unions.⁸

The largest trade union in the sector is the Trade Union of Money and Insurance Workers (Odborový svaz pracovníků peněžnictví a pojišťovnictví). This union plays an active role in both single-employer and multi-employer bargaining, striving to represent workers across a wide range of financial institutions. One of the union's key priorities is maintaining strong cooperation with employers, particularly through negotiations with the Union of Banks and Insurance Companies. For the period 2024–2028, the union aims to sustain this collaboration and continue pushing for improvements in working conditions and wages across the sector. A major goal for the union is the promotion of a “Decent Wage,” which is central to their efforts to secure better pay for banking employees. Communication is categorized into two streams: one directed at members and employees, and the other toward employers and the public. Social media plays a central role in outreach efforts, alongside direct engagement with members to encourage participation in union activities. The union emphasizes supporting young trade unionists by creating a network across organizations, involving younger generations in union work, and understanding their needs. In 2022, the trade union facilitated the establishment of a new IT union branch, providing a foundation for younger members and fostering mutual learning between experienced and new unionists.⁹

The most recent sectoral agreement, covering the years 2022–2025, was signed between the Trade Union of Money and Insurance Workers and the Union of Banks and Insurance Companies. However, the Czech-Moravian Confederation of Trade Unions has noted that the increase in tariff wages, which was last agreed upon in 2016 and 2017, has not been adjusted since then. In 2017, union representatives in the banking sector also declared a strike alert following stalled negotiations over a collective agreement aimed at establishing sector-wide working conditions. Their demands included a 15% wage increase for employees, reflecting their dissatisfaction with wage conditions and high employee turnover in the sector.¹⁰ The workers ended their 11-month strike alert after reaching a new sectoral collective bargaining agreement with major employers which took effect in 2018. The bargaining process was challenging and involved new tactics,

⁷ Eurofound (2019).

⁸ <https://denikreferendum.cz/clanek/27500-rozhovor-s-frantiskem-hupkou-branime-lidi-tesne-nad-hranici-prijmove-chudoby>

⁹ <https://www.osppp.cz/images/dokumenty/program-os-na-obdobi-2024.pdf>

¹⁰ https://www.lidovky.cz/byznys/odborari-v-peneznictvi-vyhlasili-stavkovou-pohotovost.A171114_174515_moje-penize_sij

including the strike alert, employee engagement efforts, and mediation.¹¹ Despite these efforts, significant progress in improving wages and working conditions across the sector has remained limited.

III. Challenges to collective bargaining

In the banking sector, collective bargaining faces several significant challenges that undermine its effectiveness in improving workers' conditions and securing better terms of employment.

One of the most pressing issues is the problem of "free riding", where employees who are not members of the union still benefit from the collective agreements negotiated by union members. While some solutions have been proposed to address this issue, such as ensuring collective agreements only apply to union members, the challenge persists in many cases. Non-union workers can benefit from negotiated wage increases, job protections, and other benefits without contributing to the union's efforts, weakening the overall bargaining power of the unions. Unions may attempt to counteract this by offering additional benefits or organizing activities to attract new members, but these efforts are often insufficient to address the root of the problem.¹²

Another significant challenge to collective bargaining in the banking sector is the fragmentation and lack of coordination among unions. Often, different unions may represent employees in different banks or regions, leading to a lack of unity and collaboration. This disunity makes it difficult for unions to present a unified front in negotiations with employers, which weakens their bargaining position. Banks, especially large multinational corporations, can exploit this fragmentation to minimize wage increases, limit job security, and reduce benefits. When unions fail to collaborate effectively across different banks, they struggle to create sector-wide agreements that could improve conditions for workers across the entire industry. This lack of solidarity allows employers to drive a wedge between unionized workers, reducing the potential for meaningful improvements in working conditions for all employees within the sector.¹³ A recent law amendment addresses the issue of union fragmentation. Before the amendment, employers were required to negotiate a collective agreement with all trade unions. However, problems arised when unions failed to reach agreement among themselves, let

¹¹ <https://uniglobalunion.org/news/czech-finance-workers-reach-new-sectoral-bargaining-agreement-end-strike-alert/>

¹² Interview conducted within CELSI with a representative of a Czech banking union as part of the TRUE Europe project.

¹³ *ibid.*

alone with the employer. The amendment introduced a solution for situations where collective bargaining is hindered by one or more unions. The aim is to prevent a small group from forming a union solely to block negotiations for others. The new law states that if trade unions are unable to reach an agreement within 30 days of starting negotiations, the employer may enter into a collective agreement with the union that represents the largest number of employees at the company. This amendment is intended to ensure smoother and more effective collective bargaining, especially in workplaces with multiple unions.¹⁴

The dominance of company-level bargaining further complicates the situation in the sector. In many cases, large banks prefer to negotiate with unions on an individual company basis rather than engage in sectoral bargaining. This approach benefits larger employers, which may already provide favourable working conditions, but leaves smaller banks or branches dependent on sectoral agreements to set wages and benefits. For these smaller entities, the absence of sector-wide agreements can make it more difficult to ensure fair compensation and protection for their workers. The result is that company-level agreements may not always reflect the broader needs of the workforce and can lead to uneven conditions across the sector, with some workers receiving better terms than others based on their specific employer.¹⁵

Additionally, the decision-making process within unions in the banking sector often lacks adequate input from lower-level members, which weakens the effectiveness of collective bargaining. Ideally, unions should gather feedback from their members and ensure that their priorities are reflected in the negotiations. However, in practice, many unions fail to effectively engage their members before entering negotiations, and decisions are often made by union leadership without sufficient consultation. This disconnect between union leadership and the rank-and-file members can lead to bargaining demands that do not fully address the concerns or needs of workers.¹⁶

Another critical issue is the lack of trust between unions and employers, which can significantly hinder the collective bargaining process. In many banking institutions, employers are reluctant to engage in open, transparent negotiations with unions, often keeping their strategies and positions private. This lack of transparency makes it difficult for unions to effectively prepare for negotiations and ensures that employers maintain an advantage in the bargaining process. When employers

¹⁴ <https://www.chrenektomankotrba.cz/clanky/dalsi-novela-zakoniku-prace-ktere-zmeny-prinesla-ktere-prinese>

¹⁵ Interview conducted within CELSI with a representative of a Czech banking union as part of the TRUE Europe project.

¹⁶ *ibid.*

view unions with suspicion or as adversaries, it becomes more challenging to reach agreements that benefit both parties. This lack of trust can result in more adversarial negotiations, reducing the likelihood of successful agreements and leading to tensions between unions and employers.¹⁷

The rapid transformation of the banking sector through digitalization and automation presents significant challenges to collective bargaining, as unions strive to address the impact on workers' jobs, skills, and working conditions. The reduction in workforce within the Czech banking sector, driven largely by digitalization, automation, and organizational restructuring, aligns closely with the challenge of adapting to rapid technological changes in the workplace. As banks, such as Komerční banka and ČSOB, reduce their staff and embrace automation to cut costs, workers are faced with the growing need to adapt to new digital tools and processes. This shift poses a significant challenge for the workforce, particularly given that up to half of finance sector jobs could be at risk.¹⁸

Unions, recognizing the scale of change, are advocating for open discussions regarding the effects of digitalization. They emphasize the importance of ensuring job security for workers, securing retraining opportunities, and addressing the creation of new roles alongside job reductions. This highlights a critical issue in the banking sector: as digitalization accelerates, workers must not only cope with job losses but also with the necessity of developing new skills to thrive in an increasingly automated and digital environment. Thus, the ongoing discussions about digitalization's impact on employment are crucial in shaping a future that balances technological advancement with worker protection and development. Digitalization in the banking sector is also identified as a significant challenge, requiring workers to adapt to rapid technological changes. The unions seek to ensure open discussions on the impact of digitalization, including job reductions and creation, and to secure retraining opportunities for affected employees.¹⁹

To address the challenges mentioned above, unions must work to foster greater solidarity across the sector, engage their members more effectively in the decision-making process, and develop strategies that allow them to exert meaningful pressure on employers. Only through these efforts can unions improve the conditions for workers in the banking sector and ensure that collective bargaining remains an effective tool for securing better employment outcomes.

¹⁷ *ibid.*

¹⁸ <https://www.e15.cz/byznys/finance-a-bankovnictvi/banky-zivi-nejmene-lidi-za-poslednich-sest-let-pandemie-si-vyzadala-sve-1381996>

¹⁹ <https://www.osppp.cz/images/dokumenty/program-os-na-obdobi-2024.pdf>

IV. Towards Smart Bargaining

To address the challenges to collective bargaining in the banking sector, particularly considering issues like fragmentation, free riding, company-level bargaining dominance, lack of member engagement, and the impact of digitalization, smart bargaining solutions can be developed. Here are several approaches that could be implemented:

Unified Bargaining Structures:

- **Cross-Bank Coordination:** To overcome fragmentation, unions in the banking sector should form coordinated alliances across different banks and regions. This could involve creating sector-wide federations or umbrella unions that represent workers from multiple banks. Such a structure would enable unions to present a united front in negotiations, strengthening their bargaining power. With the recent law amendment allowing the largest union to negotiate if others fail to reach an agreement, this coordination would help avoid the exploitation of union fragmentation by employers.
- **Sectoral Agreements:** A focus on sector-wide agreements is crucial for smaller banks or branches. Sectoral bargaining can ensure fair wages, benefits, and job security standards across the entire banking sector, reducing disparities between larger and smaller employers. Smart bargaining could involve lobbying for stronger sectoral bargaining rights at the national level to counteract the dominance of company-level agreements.

Addressing Free Riding:

- **Incentive-Based Union Membership:** Unions can offer additional benefits to members, such as exclusive access to retraining programs or legal support, to encourage more workers to join. A cooperative approach with employers could also be explored, where non-members contribute a smaller fee to cover the costs of collective bargaining, ensuring that they also contribute to the benefits they receive from the agreements.
- **Legal Framework Adjustments:** To counter free riding effectively, unions might advocate for a change in labour law that mandates non-union workers to pay a fee for the benefits they receive from collective agreements. This could help ensure that all workers contribute to the collective bargaining process and prevent union resources from being stretched thin.

Member Engagement:

- **Inclusive Decision-Making:** To ensure that collective bargaining reflects the needs of all workers, unions must adopt more democratic and inclusive decision-making processes. Engaging rank-and-file members through regular consultations, surveys, and participation in union activities ensures that their concerns are adequately represented in negotiations. This approach can enhance the legitimacy and effectiveness of the union's bargaining demands.

Transparency and Trust-Building with Employers:

- **Open Dialogue on Digitalization:** Unions should push for more transparency from employers regarding the impact of technological changes. Joint discussions between unions and employers on digitalization's effects could include strategies for job security, reskilling programs, and the creation of new roles. Collaborative bargaining on these issues could help build trust and ensure that workers are adequately prepared for the digital transformation.

Adapting to Digitalization:

- **Reskilling and Upskilling Programs:** Unions must advocate for comprehensive retraining and upskilling programs to help workers adapt to the changes brought about by digitalization and automation. These programs should be negotiated as part of collective agreements to ensure job security and career development for affected workers.
- **Future-Proofing Jobs:** Unions should also negotiate for the creation of new roles as old ones are automated. This requires forward-thinking bargaining, where unions and employers work together to anticipate changes in the sector and create a workforce that is capable of managing these changes.

V. European Perspectives

The European Directive on Adequate Minimum Wages has been transposed into national legislation through an amendment to the Labour Code. A significant portion of this amendment came into effect on August 1, 2024.²⁰ Czechia will also have to come forward with a National Action Plan to support collective bargaining.

The Trade Union of Money and Insurance Workers is aware of the importance of improving digital competencies and organizational strategies among trade unions in Central and Eastern Europe, fostering collaboration through peer learning and mentoring, and adopting innovative digital tools in their operations.²¹

²⁰ <https://www.cmkos.cz/18122/smernice-evropskeho-parlamentu-a-rady-eu-o-primerenych-minimalnich-mzdach/>

²¹ <https://www.osppp.cz/images/dokumenty/program-os-na-obdobi-2024.pdf>

There is not a lot of information available online on banking unions and collaboration on the European level, but more information will be added after additional interviews.

VI. Conclusions

Collective bargaining in the Czech financial sector faces significant hurdles, including fragmentation, low unionization, and employer resistance to sector-wide agreements with more benefits. The dominance of company-level bargaining has resulted in unequal working conditions and limited progress in securing fair wages and benefits for all employees. Additionally, the rapid digital transformation poses a dual challenge of job losses and the need for reskilling.

To address these issues, fostering trust between unions and employers is essential. Smart bargaining strategies, emphasizing collaboration, sectoral agreements, and proactive approaches to digitalization, can strengthen labour relations and improve outcomes for workers. By adopting these strategies, the sector can better navigate its challenges and create a more sustainable and equitable framework for collective bargaining.

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