

# Chapter 3

## Czechia: Persistence of social dialogue in the face of multinationals' reluctance

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### 1. Introduction

Foreign direct investment (FDI) was supported by governments as the major driver of economic development in the countries of central and eastern Europe, including Czechia, by the early 2000s (Pavlínek et al. 2017). The policies of that era mostly focused on competitive bidding and creating a legal framework favourable to foreign investors such as offering corporate tax concessions and changing labour regulations to reduce the level of employee protection (Bellak et al. 2008; Drahokoupil 2008). Major investments were further supported by the local financing of related infrastructure in industrial zones, including roads and highways, as well as in residential areas. Most of the inward investment went into greenfield projects for the low value-added parts of production processes, notably assembly, taking advantage of comparatively low labour costs, proximity to large markets and state-provided incentives, although many other investments took the form of a takeover of former state-owned companies.

In 2019, 28.4 per cent of Czech employment in the business sector was in foreign-owned companies, one of the highest figures among EU member states. Investments by foreign capital went primarily into banking and financial services (28.3 per cent of investments) and industry (27.1 per cent), followed by retail (12.2 per cent); the rest was formed by various services related to real estate, consultancy, finance and IT.<sup>1</sup>

The high share of foreign ownership in the Czech economy has led to its description as a 'dependent market economy'. It benefits, however, from integration into global production networks with some production that is relatively sophisticated (Pula 2018). Companies also invest in R&D in Czechia more frequently than in other central and east European countries. However, even with a degree of upgrading, working conditions and wages are below those of comparable workers in 'multinational companies' (MNCs) home countries and remain similar to those of workers elsewhere in central and eastern Europe.

The significant and persistent difference in working conditions between home and host countries has led some researchers to hypothesise that companies relocate from west European countries to escape high labour standards at home, entering central and eastern Europe because of considerably lower labour standards as well as lower labour costs. Jürgens and Krzywdzinski (2009) framed this debate as 'high road' and 'low road' models but argued that, in terms of the labour experience, central and east

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1. [https://www.cnb.cz/export/sites/cnb/cs/statistika/platebni\\_balance\\_stat/publikace\\_pb/pzi/PZI\\_2020\\_CZ.pdf](https://www.cnb.cz/export/sites/cnb/cs/statistika/platebni_balance_stat/publikace_pb/pzi/PZI_2020_CZ.pdf)

European countries amounted to a partial high road model due to the high degree of employment security for core employees but at the expense of the flexibilisation of short-term contracts at the margin, leading to a dualisation of working conditions. ‘Regime flight’ was thus not confirmed. On the other hand, Pavlínek (2018) found that cost-cutting reasons were the major driver of investment decisions to relocate to Slovakia, confirming a competitiveness model for central and east European countries based on low labour costs.

However, the literature also points to diversity in employee-employer relations resulting in differing levels of working conditions. This suggests that national institutional frameworks and labour protection legislation, the degree of technological development in production and the strength of trade unions are the most important factors (Krzywdzinski 2017). For central and east European countries it is also important to acknowledge the employment structure which is significantly skewed towards manual worker positions with lower bargaining power and lower wages. A low trade union membership base and limited collective bargaining coverage can only partially contribute to the improvement of working conditions.

This chapter follows the development of labour relations in the subsidiaries of MNCs in the automotive and retail sectors in Czechia, illustrated by two case studies in each sector. The company perspective makes it possible to study the intersection of intra- and inter-firm relations against the background of the institutional setting and the position of the sector in the economy (Kahancová 2007). In following trade unions’ interaction with management, and with their counterparts abroad, the aim is to understand the strategies by which trade unions establish social dialogue in the local subsidiaries of MNCs and advance working conditions. The evidence is based on in-depth interviews with trade union representatives at company level, desk research into specific cases and statistical data on the extent and nature of MNCs’ presence in Czechia.

## **2. Employment relations in Czech multinationals**

Industrial and employment relations are formed by the practices of parent companies, the position of subsidiaries in value chains and the local institutional setting (Kahancová 2007; Drahekoupil et al. 2015). In what follows we briefly introduce MNCs’ practices in Czechia before moving on to the institutional setting which shapes industrial relations in the country.

In most sectors in which MNCs operate, they offer relatively stable and well-paid jobs, at least in the context of the region or specific locality, especially to their core workers. MNCs are, however, known to make extensive use of flexible work arrangements in the form of high levels of overtime, heavy workloads and high levels of work intensity (Čaněk 2016; Drahekoupil et al. 2016). Home country practices are the most significant driver of adversarial employee relationships in Asian companies, as demonstrated in the literature on the examples of the South Korean companies Kia and Hyundai (Martišková and Uhlerová 2016; Drahekoupil et al. 2015) and also Japan’s Suzuki and the Taiwanese firm Foxconn (Čaněk 2016). On the other hand, cooperative industrial

relations are brought mostly from European countries such as Germany and France. Volkswagen, the owner of the car producer Škoda, is regarded as the flagship example of cooperative relations with trade unions with the latter also being strengthened by high membership levels (Drahokoupil et al. 2015). Nevertheless, there have been exceptions, such as the German company Robert Bosch, which tried to prevent trade unions being formed in 2001, and Lidl. Lidl was still actively discouraging the formation of a trade union in Czechia in 2022.

According to the OECD database, trade union density oscillates around 11 per cent while collective bargaining coverage fell from 47 per cent in 1995 to 33 per cent in 2020.<sup>2</sup> Collective bargaining in Czechia is primarily decentralised so that negotiating improvements in working conditions is carried out at company level. This contributes to heterogenous results among companies and may lead to different wages and working conditions even at different sites within one MNC where each is individually responsible for collective bargaining. This decentralisation of collective bargaining causes difficulties in terms of the trade union coordination of wage increases and advances in working conditions (Martišková et al. 2021). Coordination at sector level is legally supported but carried out only in some, such as in construction and in retail. Even then, the negotiated terms do not significantly differ from what is set out in the legislation.

Only three employees are required to set up a trade union organisation and to start collective bargaining. This increases the chances of trade unions being established but it can also undermine their credibility (Drahokoupil et al. 2015), even facilitating the establishment of organisations demanding the right to participate in collective bargaining and to receive information despite not representing significant numbers of employees in a given company. Collective bargaining can, by law, only improve working conditions relative to the stipulated legal minima; downwards derogation is not permitted. This has encouraged trade unions to push for strong protection through national legislation, taking advantage of their political contacts. This can be seen as compensating for low collective bargaining coverage and is welcomed in both low wage (retail) and high wage (automotive) sectors alike (Martišková et al. 2021). This serves to limit the potential space for collective bargaining and thereby arguably contributes to a decrease in coverage rates.

After 1989 a number of trade union confederations emerged, with the dominant one becoming Českomoravská konfederace odborových svazů (ČMKOS; the Czech and Moravian Confederation of Trade Unions). This represented almost 300 000 members in 2022, around 70 per cent of all trade union members. Further fragmentation of the trade union movement, resulting from differing views on ČMKOS's internal functioning, led to the establishment of Asociace samostatných odborů (ASO; Association of Independent Trade Unions) in 1995, creating the second largest confederation in Czechia. ASO claimed around 80 000 members in 2018. Both organisations include affiliates active in the automotive and retail sectors.

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2. <https://www.oecd.org/employment/ictwss-database.htm>

### 3. The automotive sector

The automotive sector contributes around 9 per cent of Czech GDP. Production rose from 197 000 cars in 1991 to over 1.4 million prior to the Covid-19 pandemic while employment increased from 160 000 in 2009 to 236 000 in 2021.<sup>3</sup> Consequently, passenger car production accounted for 4.6 per cent of total employment with a bias towards manual jobs.

Inward investment in the automotive sector started with privatisation by sale to foreign companies, notably that of the Škoda car manufacturer to the Volkswagen group in 1990 although the historic Czech brand name was continued. Greenfield investments, encouraged by various state incentives, came to the fore later including the arrival of Toyota-Peugeot-Citroen in Kolín in 2002 while South Korean Hyundai came to Nošovice in 2006. In 2014, a separate plant of Škoda in Kvasiny was refurbished to produce new SUVs, creating another 1500 jobs.

The level of labour skills and know-how has allowed for a functional upgrading of production sites, either towards more sophisticated production or even towards an R&D role. This has been the case mostly for tier one suppliers able to compete with other sites on price and, at the same time, raise the level of technology. This has helped convince investors to relocate more advanced production than originally planned, thus contributing to further FDI inflow in the form of reinvestments (Pavlínek et al. 2017).

The upgrading of suppliers in the industry has meant only partial improvements in working conditions, however. Wages are higher than the national average, in final producers (OEMs) exceeding the average wage by 60 per cent, although in suppliers the average wage in 2020 was only 10 per cent higher than the national average.<sup>4</sup> Significant wage rises were reported between 2015 and 2020 as a result of labour shortages in the sector: this enabled trade unions and individual workers to demand better working conditions while there was also an increasing dependence on foreign workers who took up mostly manual vacancies.

Škoda accounts for 65 per cent of the production of Czech cars, spread over three factories – Mladá Boleslav (Škoda headquarters), Kvasiny and Vrchlabí – while its more than 33 000 employees make it the country's second largest private-sector employer. It has the largest union organisation and has generally played a key role in setting union agendas. However, the Škoda union split from the sector organisation in 2013 with reference to long-standing problems with the central office and the latter's refusal to meet the former's demands.<sup>5</sup> Another reason for secession was the issue of affiliation fees which the Škoda union resented in view of its own success and hence powerful position (Myant 2020: 17). Trade unions do indeed have a unique position in Škoda Auto. Their chair, Jaroslav Povšík, is a member of the company's supervisory board. Alongside generally cooperative relations with management, Škoda trade unionists

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3. Eurostat database, <https://ec.europa.eu/eurostat/data/database>, lfsa\_egan22d.

4. <https://autosap.cz/wp-content/uploads/2021/07/prumerne-mzdy.png>

5. [http://www.odbornikovomb.cz/assets/File.ashx?id\\_org=200202&id\\_dokumenty=1129](http://www.odbornikovomb.cz/assets/File.ashx?id_org=200202&id_dokumenty=1129)

have declared strike alerts<sup>6</sup> on several occasions, staging actual strikes in 2008 and 2017.

Most trade unionists in the automotive sector are associated with the metal workers trade union Odborový svaz KOVO (OS KOVO), the largest sector level organisation in Czechia and which is affiliated to ČMKOS. The unionisation rate in the automotive industry hovers around 34 per cent, according to our own research, exceeding the average of 11 per cent for Czechia as a whole, although worker organisation decreases further down the supplier chain. As Table 3.1 shows, trade unions are present and bargaining takes place in all final producers. Collective agreements are reached in only 39 per cent of tier one suppliers; in tier two the share further decreases to 25 per cent; and it drops to only 4 per cent in tier three. Coverage rates are a little higher, reflecting trade unions being present mostly in the larger companies: around 57 per cent of employees working in tier one suppliers are covered by a collective agreement but this falls to 37 per cent in tier two and to only 5 per cent in tier three.

Employers are represented by AutoSAP, but this has a diverse membership, extending to universities and research centres. This diversity enabled AutoSAP to convince a court in 2020 that it should not participate in sectoral social dialogue. This followed a long-running dispute between OS KOVO and AutoSAP about collective bargaining during which the latter refused to start negotiations.

Table 3.1 Trade union presence and estimated coverage rates in the Czech automotive industry, 2016

	Number of employees	Number of companies	Number of companies with trade unions	Percentage of employees covered by a collective agreement (estimate)	Percentage of companies with a collective agreement
<b>OEM</b>	38 000	3	3	100	100
Tier 1	60 564	85	33	57	39
Tier 2	42 109	75	19	37	25
Tier 3	49 734	134	6	5	4
<b>TOTAL</b>	190 407	297	61	20	34

Note: The number of employees is based on individual company reports from 2016.

Source: Own calculations (based on a database of companies in the automotive industry provided by Ján Ženka in 2018).

In the following sub-sections, we introduce one case of a final producer and one of a supplier. The first case is the South Korean MNC Hyundai, known for its adversarial attitudes to trade unions; while the second outlines the more standard management-trade union relationship found in French-owned Valeo.

6. An announced intention to go on strike. The alert has no legal force, but it is a powerful tool for attracting media attention when there is a problem in collective bargaining.

### 3.1 Hyundai

The automotive plant of Hyundai Motor Manufacturing Czech, located in Nošovice in the north-east part of Czechia, is one of the largest greenfield foreign investments in the country with an initial investment of 34.4 billion koruna (1.3 billion euros). Production started in November 2008 and, by 2012, production capacity had reached 350 000 vehicles per year. It employs 3000 employees of whom 95 per cent are of Czech nationality. This is the only Hyundai plant in Europe although Kia, owned by the same company, has a production site close by in Slovakia.

A trade union was established in the company shortly after production started, but social dialogue was resisted by management which instead set up a works council with a consultative role but no powers to bargain collectively. Management was thereby able to avoid collective bargaining while still claiming to be in touch with employee representatives (KPK 2010). Thus, although the trade union was set up because of discontent over working conditions, management's first reaction was dismissive. As our interviewee expressed it, the response was: 'If you don't like it in here, go outside the gate, there are thousands of others waiting there; and if you are referring to some labour code and so on, it ends right there at the gate. Korean law applies here' (Interview 3.1).

The situation of the trade union changed in subsequent years, enabling regular social dialogue, thanks to two important factors. The first was an unofficial strike of employees in 2009 which forced management to enter dialogue and conclude a collective agreement, mostly in order to preserve peace in the company. The second factor was a change in the leadership of the trade union which contributed to an increase in membership and greater respect from managers when bargaining.

In December 2009, a year after the start of production, a short unofficial strike took place at the plant. The reason was dissatisfaction with unpredictable and unpaid overtime, workplace bullying and violations of the labour code. A small group of employees on assembly lines and on chassis production, acting quite independently of the trade union organisation, stopped the lines after their eight-hour shift in protest at being ordered to work another two hours overtime without prior agreement. Announcement of overtime at the last minute was common practice, at least from October 2009, and thus on 2 December lines were stopped by a relatively low number of workers – 400 out of a total of 2000 employees took part in the strike – but the domino effect paralysed production in several other sections (KPK 2010).

The strike lasted for one hour and, after discussion with management, it was agreed to start negotiation to prevent similar events in the future. Negotiations with management began on 4 December, involving the trade union in addition to the workers who had initiated the strike. The union announced a strike alert a few days later, ending on 15 December after an agreement was signed guaranteeing immunity for the initiators of the strike. It was also agreed that overtime would not be ordered 'to the same extent as before' and there was a promise 'to improve communication between the company and the union' (KPK 2010: 6). At the same time, the union agreed to oppose any unofficial work stoppages in the future.

The brief work stoppage was an exceptional event in the Czech automotive sector. It helped the trade union start negotiations with management but, in return, the union did rule out future unofficial protests in the company. The radical left interpretation was that the union had taken the opportunity to reach an agreement with management at the expense of a bold and explicit fight against capitalism (KPK 2010). From the point of view of the development of industrial relations, the event induced dialogue between management and worker representatives and helped establish collective bargaining over working conditions. However, as we shall see, the union remained for a long time a rather weak actor with a difficult relationship with management.

From the very beginning, the management side tried to limit the union role. The Koreans, aware of the militancy of unions at home, were afraid. Therefore, the narrative against unionised employees was that, if they were in the union, they were actually against the company (Interview 3.1). This pressure was more intensive for white collar employees in management positions and working as team leaders. As a result, in some cases, workers in exposed roles would conceal their membership from management. To this end, the Hyundai union organisation developed, alongside a system of membership dues being deducted by management under which membership is visible to the employer, an alternative system of direct payment by the member. Of the 1000 members in 2019, 201 were paying membership dues under this separate arrangement (Interview 3.1).

The union sought to provide members with various benefits in an effort to show that membership gave value for money. Collective bargaining was not seen as a sufficient advantage for the membership as agreements applied also to non-members. The union organisation therefore established a long list of unique benefits for members, such as offering beer after shifts in the summer or various discount vouchers for goods purchases. In response, management tended to shadow the perks provided by the union to undermine its position among employees. As an example, a cold drink was offered to all employees a week after the trade unions offered it to their members (Interview 3.1).

Nevertheless, union membership increased over time, contributing to an improved situation for the union. 'When we were 300 or 400 they used to tell us that we are only a club of dissatisfied employees but now, when we are 1000, we are no longer a recreational club but a trade union organisation worth bargaining with' (Interview 3.1). The main reason for the increase in membership is judged to be the increased activity and quality of the leadership.

Collective bargaining, taking place regularly, is aimed mostly at wage increases and other benefits. In the words of the representative we interviewed, negotiations are rather tough. Management accepts and applies the labour legislation and honours the benefits to employees agreed through collective bargaining, but it also exploits legislative loopholes where possible. As an example, the need for work injury compensation is not easy to identify and provide for, while legislative loopholes allow the company to minimise contributions to employees or even to deny that the workplace caused the health problems being complained of and, thereby, the compensation due to workers for the loss of work capability (Interview 3.1).

The capacity of the trade union is enhanced by provisions in the collective agreement allowing paid release for the entire union committee. The chair is released for four days per week while the vice-chair is released for two; the rest of the members of the committee have one day per month to be allocated to union activities. Given the size of the factory, this could be judged inadequate.

International contacts are limited to the South Korean companies operating in the region. The closest partner for Hyundai is Kia in Slovakia; thanks also to the proximity between the languages, collective bargaining is aided greatly by this mutual interaction and the rich information exchange that takes place. There was an effort by the Friedrich-Ebert-Stiftung to connect the various companies of Hyundai and Kia in Europe, Asia and North Africa. Management, fearing international trade union cooperation, tried to discourage participation in this (Interview 3.1). The Czech Hyundai trade union representative had felt that it was important to try to help sites with even poorer working conditions than those in the EU, but the initiative was not successful (Interview 3.1).

The Hyundai trade union is a part of a Hyundai/Kia network which has functioned since 2009 on the basis of support from IndustriALL. This has facilitated contacts with Korean counterparts which have proven useful when local management has claimed to be applying Korean management decisions over which it has no control.

We have a contact there [in South Korea] and if we learn something [from the management], we can write to them and they have the power, with their collective agreement, to learn whether it is true or whether our managers are only hiding behind Korean headquarters. (Interview 3.1)

Furthermore, ‘there is also an initiative to establish a global framework agreement on working standards for Hyundai-Kia, which would basically help trade unions in countries where working standards are low. It would not have a direct impact on us, however’ (Interview 3.1). This initiative builds on the ratification of ILO conventions ensuring minimal labour standards in all countries where the Korean MNC has its subsidiaries.<sup>7</sup>

Summarising, the trade union mostly uses legal provisions and collective bargaining to achieve improvements in working conditions, while strike activity was last reported in 2009 in the unique spontaneous strike organised by people outside the union. It is important for the union to have a reasonably large membership base to demonstrate strength to the employer, but it is also important to show a willingness for mutual cooperation rather than emphasise militancy. ‘When management learned they should not be afraid of us, we gained more’ (Interview 3.1).

This case study highlights the difficulties for trade unions confronting a hostile MNC. It also shows the importance of the domestic legal regulation of collective rights for employees. Management, despite hostility towards trade unions, finally agreed to regular

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7. <https://www.industriall-union.org/industriall-hyundai-kia-trade-union-network-a-platform-for-global-solidarity>

social dialogue in line with the legal rules in Czechia. The strike in 2009 helped towards the development of a predominantly cooperative relationship between trade union and management. Although strict adherence to the law imposes such severe restrictions that basically prevent strikes, and although the organisers of the spontaneous strike opposed the agreement between the trade union and the management, claiming it was too collaborative, the event helped to establish social dialogue in the company. The Korean management remains hostile to the trade union but accepts local rules which give trade unions leverage to attain at least some improvements in working conditions.

Hyundai in Czechia thus falls under the heading of a management that has adapted to the legal framework they found in the host country, while remaining rather hostile towards worker representation.

### 3.2 Valeo

Valeo is a French-owned supplier to the automotive sector, operating in 33 countries in the world. It has established six sites in Czechia, producing car components and undertaking R&D, employing 4000 workers. In four of the six sites, trade unions operate and negotiate separate collective agreements. The Rakovník plant was built in 1994 close to electrotechnical companies which had been operating in the area from the mid-20th century. The site produces electronic equipment for cars, especially radios, but, in the last 20 years, production has upgraded from classic radios to multi-functional touchscreens. It employed 1700 employees in 2020. A trade union was set up in Rakovník right after the company started to operate; joining a union was natural for members of the former trade union organisations prior to the transformation and nor was it obstructed by the Czech managers who were running the new factory. To them, too, trade unions appeared normal for the company and employment relationships (Interview 3.2).

The first leadership was judged too cooperative with management by employees who were unhappy mostly about their treatment by supervisors and middle management. A new leader was elected who had been employed as a blue collar worker after previous experience in a management role elsewhere in Valeo. He took a blue collar job to de-stress and 'have a clear head' when coming home (Interview 3.2). Faced with what he saw as unreasonable demands for increased work intensity, he turned to the management, unexpectedly interrupting a meeting:

After this incident I was afraid they would fire me, but I had nothing to lose and what was at stake was more important. Surprisingly they [management] wanted to know what was happening because increased workload was not their direct decision. Evidently, the problem was among supervisors and middle-management who were treating people badly. (Interview 3.2)

Competent and capable of speaking out, he was elected head of the trade union in 2002 and continued in post at the time of our research in 2022.

Relations between the trade union and management have largely been cooperative with mutual interest in a good relationship. Nevertheless, two protest events have occurred in the history of the company. An unofficial strike took place in 2006 leading to a wage increase; and, in 2008, a strike alert was called in support of trade union demands for a wage rise despite the developing economic crisis.

In general, the budget for the specific site cannot be increased until it is approved by central management. Thus, if the trade union demand is not in line with the approved budget, managers either decide to fight the trade union claim or demand a budget increase from central management. In the case of the 2008 strike alert, trade unions had to convince the local managers that a wage increase was justified so that the management would, in turn, put pressure on the headquarters in France. In that year, wages increased by 12 per cent which was attributed both to trade union pressure and the personality of the trade union leader and his ability to negotiate.

Trade union membership has remained at around 250 members out of the 1700 employees. Members are mostly blue collar workers, of which there are 550 in the company. Union density at this level is therefore quite high, almost 50 per cent. The collective agreement covers all employees, including those in white collar roles. There are also regular monthly meetings with management and, if necessary, immediate contact with the HR department, confirming the willingness of the trade union to maintain a cooperative relationship. Although this may be perceived as weakness by some employees, no competing trade union has emerged.

The main links with trade unions from other countries are through the European Works Council (EWC). Czech unions in Valeo have one representative on the EWC representing all four trade union organisations operating at the six different sites. They appreciate access to information about corporate strategies and about the company's future plans but, in terms of problem solving, the EWC is not considered a place where they can bring issues forward: the most usual reaction is that it is a specific country problem and should be solved there (Interview 3.2). French trade unions are also judged to be non-supportive. For instance, a Czech trade unionist in Valeo attempted to become chair of the EWC but was not supported by the more numerous French colleagues (Interview 3.4).

This case study highlights two important factors determining the level of cooperation between management and trade unions. The first is the context of the establishment of, and management's initial stance towards, trade unions. Here, a mutual understanding of the role of trade unions on the part of employers and employees was crucial. The second is the attitude of the trade union leadership, meaning that protest actions are considered the very last option for advancing working conditions.

Collective bargaining has led to relatively decent wages, but working conditions otherwise remain rather difficult, as documented by the high turnover of employees.

The Rakovník site experienced functional upgrading in the shift of production from classic old-fashioned radios to high-tech touchscreens. For workers, this meant a

reduced number of manual jobs but it also increased the demand for precision. Despite the increasing numbers of technical employees, not many are trade union members, however, raising questions about the future of trade unionism in an upgraded company in which white collar workers do not see themselves as needing trade union representation.

#### 4. The retail sector

The retail sector was underdeveloped in the pre-1990 centrally planned economy but grew rapidly after the subsequent transformation, attracting substantial FDI. Czechia became a pioneer among central and east European countries in terms of the retail chains appearing on the market in the 1990s (Dries et al. 2007: 230-231). Foreign acquisitions and greenfield investment have led to a situation in which almost all the leading retail chains are foreign-owned with only one-third of the market being in domestic hands: mostly smaller retail shops like Hruška or COOP. The dominant chains are from Germany, Netherlands and the UK (see Table 3.2). The most successful in terms of profitability are Lidl and Kaufland, which have the same owner. The number of employees in food retail exceeded 140 000 in 2019.<sup>8</sup>

Table 3.2 The 10 biggest supermarket retailers in Czechia, 2020

Name of chain	Owner	Country	Number of employees
Kaufland	Schwarz Gruppe	Germany	23 500
Albert	Ahold	Netherlands	20 000
COOP	46 consumer cooperatives	Czechia	13 000
Tesco	Tesco	Great Britain	8400
Lidl	Schwarz Gruppe	Germany	8300
Billa	REWE Group	Germany	6500
Penny Market	REWE Group	Germany	5800
Globus	Globus Hypermarket Holding	Germany	4900
Hruška	Hruška spol. s.r.o.	Czechia	3420
Makro	Metro AG	Germany	3345

Source: Company annual reports from 2021 (or most recent available), via Veřejný rejstřík a Sbirka listin (Register of Companies) of Ministerstvo spravedlnosti České republiky (Ministry of Justice) (<https://or.justice.cz/ias/ui/rejstrik>)

Wages in the sector are below the national average, especially for non-managerial and manual jobs. In 2021 the average wage of cashiers ranged from 18 to 36 000 koruna (720 to 1440 euros). Lidl reports the highest entry-level wages, at around 30 000 koruna; in other retail chains, reported entry-level wages are around 25 000 koruna.

8. Eurostat database <https://ec.europa.eu/eurostat/data/database>, sbs\_na\_dt\_r2.

The wage increases announced in the 2021 collective bargaining round were between 3 and 5 per cent.<sup>9</sup> The sector also suffers from a high level of wage inequality.

In 2012, a Eurofound report assessed EU-wide working conditions in retail as unsatisfactory, especially in the global retail chains. This was attributed to efforts to increase competitiveness by pressurising employee flexibility, resulting in less motivated employees and contributing to poor service quality (Eurofound 2012). Trade unions had tried to establish dialogue with employers but the latter were reluctant, using their economic strength to resist (Eurofound 2012).

Trade unions in Czechia responded by using their international contacts to help with the establishment of social dialogue and this was most effective against companies that recognised unions in their home countries, notably Billa, Tesco, Albert and Penny Market (Sedláková and Martišková 2017). The sector is known for precarious working conditions, especially for shopfloor workers in the large retail chains who may be subjected to compulsory overtime, disrespectful behaviour and flexible contracts having limited job stability (Uhlová 2018). At the same time, the flexibility of work in retail can be an advantage to some vulnerable groups in the labour market, especially women, those with a low level of skills and migrant workers. This reduces the pressure to increase job security in the sector.

The principal union organisation in the sector is Unie zaměstnanců obchodu, logistiky a služeb (UZO; the Union of Employees in Trade, Logistics and Services), an affiliate of ČMKOS. Employers are represented by Svaz obchodu a cestovního ruchu ČR (SOCR ČR; the Association of Trade and Tourism of the Czech Republic) with which trade unions negotiate sector agreements. The current agreement was signed in 2019 but had only limited scope in terms of coverage in foreign-owned chains and in advancing working conditions (Myant 2020). Sector bargaining is less important than that at company level for improving working conditions and raising wages. UZO representatives are active in negotiating company agreements in the big retail chains, thereby helping their own company organisations: this indirectly contributes to informal coordination at sector level (Martišková et al. 2021).

Collective bargaining has undergone important developments in the last 20 years. At the time when retail chains were mushrooming across the whole country, the willingness to recognise trade unions and to participate in social dialogue was at a very low level. Trade unions had to be created from scratch and management either did not support, or actively obstructed, this process. Organising workers was, and remains, difficult due to the geographical dispersion of retail outlets and flexible working contracts which are unfavourable to unionisation. Even where trade unions succeed in establishing organisations, management often shows minimal interest in engaging in social dialogue (Hála 2006). However, as the leader of the retail workers' union noted in 2017, 'Compared with years ago, when the management of some chains refused to meet with trade unionists, the situation has improved greatly' (Burianová 2017). This does depend

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9. <https://zpravy.aktualne.cz/ekonomika/zvysovani-mezd-v-malobchode-pokracuje-albert-prida-svym-lid/r~1aa1bfc21db11ecbc3f0cc47ab5f122/>

on the chain, however: social dialogue has developed and operates most smoothly in Tesco, Billa, Albert, Globus and Makro, while remaining absent in Lidl (Interview 3.3).

Trade union effort has been focused on increasing wages and on campaigning for shop closures on public holidays rather than on fighting the high level of flexibility and precarity in the sector (Sedláková and Martišková 2017). In fact, unions have highlighted the positives of flexible working arrangements, arguing that these should be compensated by decent wages. Nevertheless, low unionisation rates of around 5-6 per cent do not give them much power to increase workers' protection (Sedláková and Martišková 2017).

In some workplaces, the presence of rival unions further paralyses social dialogue. Employees are located in different areas and encounter different problems in different stores, encouraging the formation of local unions alongside those affiliated to UZO. ASO, the second largest trade union confederation, represents unions in some chains, such as Billa and Penny, and its sector affiliate is also involved in company collective bargaining. The problem is that the retail chains, operating hundreds of stores around the country, are supposed to conclude one collective agreement for all employees. The practice whereby the largest organisation alone concludes an agreement with the employer was ruled illegal by a Constitutional Court decision in 2008. All the unions at one employer need to agree to a collective agreement, a rule that encourages the formation of 'yellow' unions.

In relation to working conditions, trade unions face difficulties in particular stores. Middle management usually lacks the necessary experience and knowledge of the labour law. People are deprived of the breaks they are entitled to, do not have regular schedules, their managers fail to keep accurate records of hours worked and mistakes are made in dismissing workers (Burianová 2017). On the other hand, negotiations with the top management of multinational chains are usually fair, thanks to efforts to use international contacts as leverage for improving social dialogue in Czechia. International contacts are by far the strongest resource for improving the position of trade unions. The membership power resource is exploited less frequently, mostly because of the low unionisation rates in the sector.

Trade unions have not undertaken strike actions in the last period as, in general, UZO considered efforts in that direction unrealistic and utopian. Nevertheless, some strike alerts have been announced, notably in 2015 in Tesco and in 2016 in Albert.

#### 4.1 Tesco

Kmart, an American retail chain, bought thirteen department stores belonging to the state-owned Prior chain in 1992. In 1996, Kmart ownership was transferred to the UK supermarket chain, Tesco (Pollert 1999). Later, Tesco bought the smaller regional chains of Edeka in 2006 and Koruna and Žabka in 2010, selling back some of its stores in the Moravia region to the Hruška chain. During these 25 years, Tesco has enlarged

its chain to 190 stores, 17 petrol stations and one distribution centre.<sup>10</sup> Employment decreased from 13 000 in 2007 to 8400 in 2021, thanks mostly to digitalisation and the restructuring of work processes, intensifying workloads among the remaining employees. Tesco had sales of approximately 1.7 million euros in 2020/21, placing it fifth among Czech retailers.

There is unusually large trade union plurality in Tesco in Czechia. In 2022, 19 organisations operating in different stores were affiliated with UZO; another 10 organisations were affiliated to Nezávislé odbory Tesco (NOT; Independent Trade Union Tesco), operating mostly in Brno and the South Moravian region; the sector trade union for the food processing industry organised some employees; and another smaller independent trade union operated in Novodvorská in Prague. Average membership density across all trade union organisations is estimated at 15 per cent (Interview 3.5).

Mergers had an impact on the development of social dialogue in Tesco as some of the acquired chains had functioning trade unions. Trade union organisation in the company was also inherited from the socialist period which gave a base for social dialogue at the outset of the company's time in Czechia. Trade unions from Edeka joined Tesco social dialogue activities but the union side faced coordination difficulties in 2006 and 2007. Poor cooperation between organisations greatly limited the union side's ability to put pressure on management which naturally did nothing to encourage cooperation between them and which, moreover, did not share information with them equally (Interview 3.5).

Realising the need for a common approach, the trade unions established a coordination committee enabling them to press for increased wages, better working conditions, the use of full-time rather than part-time contracts and reduced working hours during the Christmas holiday period. Facing resistance from management, the trade union side announced a strike alert in November 2006: this attracted media attention and forced management to start negotiations. Trade unions' ability to mobilise all organisations, alongside the media coverage of the pre-Christmas strike alert, helped create the basis for serious and lasting social dialogue in the company (Interview 3.5).

That committee still functions, undertaking a coordination role between unions and leading the dialogue with employer representatives (Interview 3.3). As suggested by the UZO representative, it is not always easy to coordinate, especially among those independent trade unions which have 'more radical ideas' (Interview 3.3), but the results are satisfactory. Indeed, between 2015 and 2022 they managed to increase wages by 40 per cent against a rise in inflation of 20 per cent. The last bargaining round yielded a 5 per cent average wage increase from July 2022 and 27 days of paid holidays compared to the 20 days legal minimum.

Pollert (1999) stated that Tesco's foreign management did not have a problem with the union at the start, but later reports indicated various disputes between trade unions and management. Veverková (2007), for Eurofound, reported difficulties in

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10. <https://corporate.itesco.cz/o-n%C3%A1s/hlavn%C3%AD-%C3%BAdaje/>

the social dialogue because of the increased use of temporary and agency workers and management's unwillingness to close shops earlier during the Christmas period. At that time, the usual practice was for the majority of employees to be employed on part-time contracts and working serious amounts of overtime. In 2008, a strike alert was announced in protest at work overload and understaffing in stores.<sup>11</sup> The union repeated the strike alert one year later, calling it off only when management promised to increase the number of employees. Conflict continued in 2009 when Tesco changed the wage system without notifying workers and in violation of the collective agreement. Tesco raised employee salaries by 1.5 per cent but the unions did not accept this, demanding a 3 per cent increase and wanting to bring in a mediator.<sup>12</sup> An affiliate of NOT in Brno announced a further strike alert, but this was not supported by UZO.<sup>13</sup>

During collective bargaining, NOT, representing a minority of employees, declared another strike alert in 2010. The union's priority was to increase workers' pay by at least four per cent and to continue to do so each year. In addition, the union opposed the use of four-hour shifts. Employees also complained of frequent twelve-hour shifts, inability to go to the toilet and humiliating checks when leaving work.<sup>14</sup> In 2015, a strike alert was announced in response to Tesco's possible withdrawal from central and eastern Europe, demanding that, in the event of such a withdrawal, there should be adequate compensation paid to redundant employees.<sup>15</sup> In the end, Tesco did not leave the central European market and only two stores were closed.

International cooperation has often helped trade unions to resolve local disputes. Tesco has a functioning European Works Council that meets on an annual basis (except during Covid-19), gathering representatives from different countries. Information exchange between trade unionists is considered a powerful tool when demanding higher wages or wage bonuses because, once agreed in one country, trade unions usually learn about it and demand the same for their members too (Interview 3.5).

Trade unions assess interaction with management as currently satisfactory, but this is heavily dependent on the personnel involved. Thus, a change of the chief negotiator leads inevitably to uncertainty about the future development of the social dialogue (Interview 3.5). Rather than a transfer of practices from the home country, trade unionists see social dialogue as the outcome of their own efforts, achieved by a degree of radicalism and including the use of strike alerts (Interview 3.5).

To summarise the Tesco case, acquisitions in the 1990s saw trade unions potentially able to build on their established membership base. Despite this initially better situation, social dialogue became a standardised way of regulating wages and working conditions only in the 2010s and after a series of international appeals and strike alerts. Trade

11. <https://nezavisleodborytesco.blogspot.com/2008/11/v-pondl-zasedne-rada-odborov-organizace.html>

12. <https://ct24.ceskatelevize.cz/ekonomika/1385186-odbory-teska-vyhlasily-stavkovou-pohotovost>

13. [https://www.idnes.cz/ekonomika/podniky/odbory-prodejen-tesco-se-prou-o-stavku.A090916\\_105110\\_ekoakcie\\_fih](https://www.idnes.cz/ekonomika/podniky/odbory-prodejen-tesco-se-prou-o-stavku.A090916_105110_ekoakcie_fih)

14. <https://denikreferendum.cz/clanek/3506-prace-v-tescu-neplacene-prescasy-sacovani-vytykacky>

15. [https://www.irozhlas.cz/zpravy-domov/odbory-v-tescu-vyhlasily-stavkovou-pohotovost-boji-se-propousteni-\\_201501131441\\_mpolak](https://www.irozhlas.cz/zpravy-domov/odbory-v-tescu-vyhlasily-stavkovou-pohotovost-boji-se-propousteni-_201501131441_mpolak)

unions have not been able to build on their high membership base as flexibilisation and high turnover have hampered participation in trade union actions among a majority of workers. Dispersed locations and the large number of trade union organisations within the chain have also presented a lasting coordination challenge. This meant that sector organisations are involved in company collective bargaining while the coordination committee aligns union demands during collective bargaining.

This case study thus shows that social dialogue may be constrained not only by management's unwillingness to participate but also by internal coordination challenges on the trade union side and legal requirements for mutual cooperation between different trade unions. Although employment relations have stabilised, collective bargaining gains remain limited and wage growth does not exceed that in other retail chains. In fact Lidl, which does not recognise trade unions, reports the highest wages in the sector.

## 4.2 Albert

The Albert retail chain, owned by Netherland-based Ahold Group, had 20 000 employees in Czechia in 2021. It started its operation in 2000, merging smaller retail chains. Currently it runs more than 300 shops in Czechia. Trade unions are affiliated to UZO and organise between 6 and 10 per cent of employees. This weak membership base is one of the reasons why wages have, for a long time, been one of the lowest in the sector.

Trade union interaction with management is an example of the improvements made courtesy of international intervention following an escalation of conflict during collective bargaining. In 2016, in a period of increasing labour shortages in the sector, trade unions aimed to negotiate wage increases and communicated openly that wages in Albert were low. The precise position was unclear as different averages were communicated by trade unions and management, but many employees openly confirmed that their wages were low.<sup>16</sup> The failure to persuade management of the case for a significant increase led the union side to consider requesting the intervention of a mediator after its announcement of a strike alert. Media image is very important to retail chains and this therefore provoked a response from management. The intention was not to strike but rather to reach agreement, the union side being aware of its weakness in view of low unionisation rates (Interview 3.3).

To support trade unions in the dispute, then Prime Minister Bohuslav Sobotka and the Minister of Labour and Social Affairs, Michaela Marksová, appealed to the Dutch Ambassador in Czechia expressing concerns about the Ahold Group's practices in Czechia. This initiative brought results and wages were increased by 10 per cent. Since then, a 'peace' has been concluded and discussions with the company have avoided acrimony, a point appreciated by the unions (Burianová 2017). Thus, for example, in 2022 trade unions pressed for a wage increase at least in line with inflation. While other

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16. <https://byznys.hn.cz/c1-65515840-spor-o-nizke-mzdy-v-albertu-pokracuje-platime-vice-nez-rikaji-odbory-tvrdi-vedeni-obchodniho-retezce>

companies dragged their feet, citing the consequences of the Covid-19 pandemic, wages in Albert increased by 4 per cent.

Thus, in Albert the lack of associational power resources, related to low unionisation rates, represents a major source of trade union weakness. However, international appeals and the involvement of politicians have helped to redress the balance, at least in part.

Trade unions in the sector do not aim for radical improvements in working conditions, pressing rather for gradual wage increases. Surprisingly, even low increases of 2 per cent are perceived in a positive way, suggesting low expectations and a high degree of willingness to cooperate with management. The stabilisation of social dialogue therefore does not necessarily imply a significant improvement in working conditions. Nevertheless, the justification for the low collective bargaining aspirations can be questioned in view of the high wages at Lidl, the only non-unionised chain.

Lidl entered the Czech market in 2003. In 2021, it employed approximately 8300 people in 291 stores and five logistic centres. Despite the absence of unions, the company thrust the sector into a wage war in 2016 by increasing salaries by 25 per cent, a move followed by other major retail chains and provoking debate about low wages in the sector. The main reason for this development was the rising labour shortage which itself helped trade unions to increase wage levels and improve working conditions in the sector.

## 5. Conclusion

The two automotive cases indicated that trade unions aim to have largely cooperative relations with management as this has proven to be the main route to improvements in working conditions. At the same time, both highlight the importance of protest. At Hyundai and at Valeo, protests, both of them actually unofficial, resulted in trade unions achieving higher levels of recognition from management: at Hyundai, a short, spontaneous protest led management to reach agreement with the trade union in order to prevent unofficial strikes in the future; and at Valeo, an unofficial protest contributed to wage increases but, thanks to initially cooperative relations, this did not lead to a significant change in the relationship between trade union and management. In general, trade unions in the automotive sector thus mostly rely on collective bargaining, resorting to protest only rarely.

The retail cases highlight the sustained effort required of trade unions to establish satisfactory social dialogue. For that purpose they used international contacts and the legal regulatory framework for collective bargaining, lobbied local politicians and mounted media pressure to draw the attention of politicians and the public to working conditions in the sector. All this was necessary because of low membership levels, mostly because of the high amount of flexible work arrangements and the significant presence of vulnerable groups such as women, younger and older workers and migrant workers.

In the automotive sector, social dialogue was easily established in the French company while there were initially many more difficulties in the Korean one. Compared to retail, automotive trade unions are helped by the presence of a concentrated workforce, comparatively better working conditions and a lower share of flexible workers, leading to stronger membership bases than in retail.

For MNCs in both sectors, the relationship with trade unions was mostly framed by a reluctance to improve working conditions alongside the aim of extracting high profits at the expense of labour. In retail, MNC headquarters were generally not openly hostile to trade unions, but rather unaware of and uninterested in the claims and demands at their foreign subsidiaries. In the automotive case studies, we observed more of the transfer of labour practices from home country to host, in a negative sense in Hyundai and in a positive one in Valeo. International intervention has assisted trade unions in retail, but in the automotive sector international cooperation has been mostly declaratory with no practical impact.

In the last thirty years, trade unions have successfully established social dialogue in all the major foreign-owned retail chains, with the exception of Lidl, and in all final producers in the automotive sector as well as in a part of their supplier base. However, this has not prevented flexible working arrangements becoming inevitable features of jobs in both retail and automotives. Unions' primary effort has thus been concentrated on wage increases to compensate for job instability and overtime working in both sectors. Nevertheless, wages in the retail sector remain low and below the national average, although in part of the automotive sector wages are at comparatively decent levels. Unionisation rates have not increased, thus limiting the prospects for the further improvement of working conditions.

What did empower trade unions to attain wage increases in the years before the pandemic were the enormous labour shortages in both sectors. The pandemic brought an interesting twist in retail: while labour requirements increased in food retailers, elsewhere in the sector dismissals were recorded. On average, retail did not see an increase in employment during the pandemic and some segments remain exposed to labour shortages and substantial workloads for employees. In contrast, automotives were not touched by the pandemic, apart from some disruption to supply chains and the decreased availability of foreign workers because of pandemic measures (e.g. closing borders, requiring tests and quarantine measures and/or vaccinations). Nevertheless, trade unions again experienced reluctance from management to agree to wage increases, pointing to the uncertain situation in the sector. Thus, despite a stabilisation in social dialogue, improvements in working conditions are only gradual.

In the future, digitalisation and automation in both sectors will impose requirements in terms of skills upgrading and reskilling. Automotives are further endangered by structural changes in employment related to decarbonisation. Yet, trade unions gain only limited information about foreign companies' strategies and intentions which makes them weak in front of management. This may mean that workers are excluded from the decision making process. And, last but not least, our evidence from the automotive sector suggests that the increasing number of higher skilled workers is not

leading to an increased share of trade union members. This may imply that upgrading will see rates of unionisation further decline.

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All links were checked on 03.10.2022.

## Annex

### List of interviews

ID	Position / organisation	Sector / level	Date of interview
Interview 3.1	Local trade union representative	Automotive, final producer	November 2019 and May 2022
Interview 3.2	Local trade union representative	Automotive, first tier supplier	February 2018 and May 2022
Interview 3.3	Lawyer/sector trade union	Retail	15 December 2021
Interview 3.4	Local trade union representative	Automotive, first tier supplier	February 2018 and May 2022
Interview 3.5	Local trade union representative	Retail, local	3 June 2022