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The Czech Labour Market: Changing Structures and Work Orientations

Jiří Večerník (ed.)

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Contents

Abstract	9
Abstrakt	10
Abstrakt	11
Introduction	13
1. Developments in the Labour Market (Jiří Večerník)	15
1.1. The re-emerged labour market after 1989	15
1.2. The changing composition and mobility of the labour force	17
1.3. The unemployed and vulnerable categories	19
1.4. Labour market policies	22
1.5. The flexibility of the labour force	24
1.6. Conclusion	28
2. Changes to Earnings and Income Inequality (Jiří Večerník)	31
2.1. System changes after 1989	32
2.2. The changing range and structure of earnings	34
2.2.1. Overall changes	34
2.2.2. Gender, age, and education	36
2.2.3. Industries and occupations	40
2.3. From personal earnings to household income	42
2.3.1. Overall changes	43
2.3.2. Economic activity of women and earnings of couples	45
2.3.3. Sources of household incomes and their inequality	47
2.4. Conclusion	50
Appendix: Data sources, definitions and adjustment of household income	51
3. The Gender Wage Gap and its Determinants (Martina Mysíková)	55
3.1 Methodology and data	57
3.1.1. Model	57
3.1.2. Decomposition	58
3.1.3. Data	60
3.2. Variables description	60

3.3. Results	62
3.3.1. Model	62
3.3.2. Decomposition	65
3.4. Conclusion	66
4. Transformation Strategies in the Agricultural Sector (Zdeněk R. Nešpor)	69
4.1. The development of Czech agriculture in the 20th century	70
4.2. Research outcome	73
4.2.1. Data sources	73
4.2.2. Czech farmers	74
4.2.3. Property restituent	76
4.2.4. Foreign investors	77
4.3. Patterns of efficient strategies in the process of transformation	78
4.3.1. Path dependency	78
4.3.2. Finances and management	80
4.3.3. Socio-economic relations	80
4.3.4. The 'peasant ethos'	82
4.4. Conclusion	83
5. The Gradual Evolution of the Czech Entrepreneurial Elite (Vladimír Benáček)	85
5.1. Entrepreneurs and capital	85
5.2. Entrepreneurship and the end of central planning	88
5.3. The social structure of entrepreneurship before and during communism	90
5.4. The mechanism of communism's demise	92
5.5. Entrepreneurship in the early stages of transition	94
5.6. The changing structure of entrepreneurs in the later stages of transition	96
5.7. Conclusion	100
6. The Development of Work Values and Attitudes (Jiří Večerník)	102
6.1. Methodological difficulties and previous research	103
6.2. The explanatory framework	106
6.3. Work expectations and the fulfilment of expectations	110
6.4. Work commitment and job satisfaction	113
6.5. Conclusion	116
Conclusion	119
References	121
Data sources	131
Abbreviations	132

Appendix 1: The structure of employment in the Czech Republic 1993–2005 (Natálie Reichlová)	133
Appendix 2: The structure of employment in the Czech Republic and the EU (Natálie Reichlová)	145
Summary	157
Shrnutí	160
Zusammenfassung	163
O autorech	166

The Czech Labour Market: Changing Structures and Work Orientations

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Abstract

'The Adjustment of the Czech Labour Force: Changing Job Structures, Wage Disparities and Work Orientations' is the title of a project that set out to use various data sources to describe changes in the field over the past decade. A collection of studies on various topics provides a multidimensional picture of the changing Czech labour force and its 'state of mind' and identifies some key problems. In the first chapter, the Czech labour market is observed in various perspectives. The authors begin by describing the specific stages of the development of the labour market in the 1990s and go on to observe the changing composition of the labour force, labour mobility, and vulnerable categories of people. This is followed in the last section by a description of policies, especially active labour market policies, and of the flexibility of the labour market in its various forms, concluding with a discussion of some problems of further development. In the second chapter, the authors draw on income surveys covering the period 1988–2002 to illustrate the changes in inequality of earnings and household incomes, the main factors behind their disparities, and the connections between these two distributions. The third chapter looks at the gender wage gap in the Czech Republic. The fourth chapter examines the transformation strategies of Czech agriculture after 1989 in the light of several case studies. The fifth chapter focuses on the dynamics of grand entrepreneurship, examining its roots and further development. The sixth chapter investigates changing work values and job attitudes between 1997 and 2005. The Appendix contains texts documenting the changes to occupational structures over time and cross-nationally in a comparison with EU countries.

Keywords

Labour market, occupations, earnings, entrepreneurs, farmers, gender gap, work values, Czech Republic

Český trh práce: proměna struktur a pracovních orientací

Jiří Večerník (ed.)

Abstrakt

Projekt „Adaptace pracovních sil v České republice: změny profesní struktury, mzdové diferenciacce a pracovních orientací“ směřoval k využití různých datových zdrojů k popisu změn v dané oblasti v posledním desetiletí. Jednotlivé kapitoly jsou věnovány různým aspektům problematiky, s cílem poskytnout mnohorozměrný obraz měnících se českých pracovních sil a jejich postojů, spolu s identifikací některých klíčových problémů. V první kapitole je český trh práce sledován z různých perspektiv. Po popisu fází jeho rozvoje v devadesátých letech se věnujeme měnícímu se složení pracovních sil, pracovní mobilitě a rizikovým kategoriím populace. Následuje přehled politik, zejména aktivní politiky zaměstnanosti a jejich účinnosti. Poté analyzujeme flexibilitu pracovních sil v jejich různých podobách a v závěru otevíráme některé otázky dalšího vývoje trhu práce. Ve druhé kapitole využíváme příjmová šetření pokrývající období 1988–2002 k ilustraci změn v nerovnosti výdělků a rodinných příjmů, k analýze hlavních faktorů těchto rozdílů a k nalezení vazeb mezi uvedenými dvěma distribucemi. Ve třetí kapitole se zabýváme rozdíly mezi výdělky žen a mužů, jejich vývojem a faktory. Čtvrtá kapitola je věnována transformačním strategiím v českém zemědělství po roce 1989 ilustrovaným několika případovými studii. Pátá kapitola se soustředí na dynamiku podnikatelské vrstvy z hlediska její geneze a dalšího vývoje. V šesté kapitole zkoumáme měnící se hodnoty práce a postoje k zaměstnání v porovnání let 1997 a 2005. V příloze dokumentujeme proměny profesních struktur v České republice a v porovnání se zeměmi Evropské unie.

Klíčová slova

trh práce, profese, výdělky, podnikatelé, zemědělci, gender gap, hodnoty práce, Česká republika

Der tschechische Arbeitsmarkt Veränderungen von Strukturen und Arbeitsorientierungen

Jiří Večerník (ed.)

Abstrakt

Das Projekt „Anpassung der Arbeitskräfte in der Tschechischen Republik: Veränderungen der Berufsstrukturen, Lohndifferenzierung und Arbeitsorientierung“ nutzt verschiedene Datenquellen zur Beschreibung der Veränderungen in den genannten Bereichen im vergangenen Jahrzehnt. Die einzelnen Kapitel sind den verschiedenen Aspekten dieser Problematik gewidmet und sollen ein mehrdimensionales Bild der sich ändernden tschechischen Arbeitnehmer und ihrer Einstellungen zeichnen sowie bestimmte Schlüsselprobleme aufzeigen. Im ersten Kapitel wird der tschechische Arbeitsmarkt aus verschiedenen Perspektiven beleuchtet. Nach anfänglicher Beschreibung der Entwicklung des Arbeitsmarktes in den 90. Jahren widmen wir uns der Zusammensetzung der Arbeitskräfte, der Mobilität und den Risikokategorien der Bevölkerung. Es folgt eine politische Übersicht, insbesondere ein Blick auf die Beschäftigungspolitik und ihre Effektivität. Danach analysieren wir die Flexibilität der Arbeitskräfte in ihren verschiedenen Formen und eröffnen zum Abschluss bestimmte Fragen zur weiteren Entwicklung des Arbeitsmarktes. Im zweiten Kapitel illustrieren wir anhand von Einkommenserhebungen zu den Jahren 1988–2002 die Veränderungen der Ungleichheiten von Verdiensten und Familieneinkommen, wir analysieren die Hauptfaktoren dieser Unterschiede und zeigen die Verbindungen zwischen den beiden Verteilungswegen auf. Im dritten Kapitel befassen wir uns mit den Unterschieden der Verdienste von Frauen und Männern und deren Entwicklung und Faktoren. Das vierte Kapitel ist den Transformationsstrategien der tschechischen Landwirtschaft nach 1989 gewidmet, die durch mehrere Fallstudien illustriert werden. Das fünfte Kapitel befasst sich mit der Dynamik der Unternehmerschicht hinsichtlich ihrer Entstehung und weiteren Entwicklung. Im sechsten Kapitel untersuchen wir den sich ändernden Wert der Arbeit und die Einstellung zum Beschäftigungsverhältnis im Vergleich der Jahre 1997 und 2005. Im Anhang dokumentieren wir die Veränderungen der Berufsstrukturen in Tschechien im Vergleich zu anderen EU-Ländern.

Schlüsselwörter

Arbeitsmarkt, Berufe, Verdienst, Unternehmer, Landwirte, Gender Gap, Wert der Arbeit, Tschechische Republik

Introduction

The information on the labour market and the labour force in the Czech Republic is extensive but not integrated. Various surveys describe relevant characteristics separately and do not provide a complex picture of human resources. In particular, 'hard' statistical data are not related to 'soft' attitudes. Such complex information is needed to monitor the adaptation of the labour force to the knowledge-based and dynamic society, which is crucial for the competitiveness of the Czech economy. 'The Adjustment of the Czech Labour Force: Changing Job Structures, Wage Disparities and Work Orientations' is the title of a research project that set out to use various sources – statistical and sociological surveys, case studies and others – to describe changes between the mid-1990s and 2005. Studies on various topics are collected here to provide a multidimensional and dynamic picture of the changing Czech labour force and its 'state of mind' and to identify some key problems.

The first chapter looks at the Czech labour market from various perspectives and then considers the changes, policies, flexibility, and problems connected with it. The second chapter focuses on changes in inequality of earnings and household incomes, the main factors behind their disparities, and the connections between these two distributions. The gender pay gap in the Czech Republic is the subject of the third chapter. The fourth chapter examines the transformation strategies of Czech agriculture after 1989 in the light of several case studies. The fifth chapter focuses on the dynamics of grand entrepreneurship and especially its roots and further development. The sixth chapter investigates changing work values and job attitudes between 1997 and 2005. The appendices contain texts documenting changes to occupational structures over time and cross-nationally in a comparison with EU countries.

1. Developments in the Labour Market¹

Jiří Večerník

Numerous changes occurred in the labour market and in labour relations in the Czech Republic after 1989. In the initial years of economic transition, the number of redundant workers declined as many older workers entered retirement, many women exited the labour market to stay at home with their families, and many other employees were attracted by the service sector and self-employment. Indeed, new opportunities were opened for active people to start a business, change jobs, supplement their regular job with additional activities, and even to find work abroad. Modern skills, labour mobility, and flexibility started to pay off.

In the early transition period, the situation of the labour market was more relaxed than originally expected. The reduction of the workforce, the high absorption of the tertiary sector, growing numbers of self-employed, and the state support given to large companies, all contributed to a high employment rate. However, the situation changed around 1997, when many hastily privatised companies filed for bankruptcy, a credit crunch emerged, and worker mobility was held back. As the labour market suffered from severe rigidity, an army of unemployed rose sharply to nearly half a million people, but fell again later.

A portrait of the Czech labour market cannot be depicted through the sweeping brushstrokes of major successes and failures. Rather, a proper picture emerges by focusing on the more nuanced details of the labour market from various perspectives. Therefore, here we begin by focusing on the specific phases of the labour market as it developed in the 1990s. Second, we observe the changing composition of the labour force and labour mobility. Third, we examine the vulnerable categories of people. Policies, active labour market policies in particular, are described in the fourth section. Fifth, we analyse the flexibility of the labour market in its various forms. We conclude by raising several open problems regarding the future of the Czech labour market.

1.1. The re-emerged labour market after 1989

The labour market re-emerged in the transition countries of Central and Eastern Europe after 1989. In comparison with the communist period, employment has since become more precarious in terms of job security, remuneration, and working conditions. Some workers – highly qualified in management, finance, and law – have experienced considerably improved job prospects. For several manual

¹ An earlier version of this chapter was published in *Prague Economic Papers* 2007 (3): 220–236 under the title ‘The Czech Labour Market: Historical, Structural and Policy Perspectives’ [Večerník 2007]

categories, relative earnings and work conditions have worsened significantly. The employment outlook appeared particularly bleak for those who held once-privileged jobs in mining and metallurgy.

Unemployment surfaced in the early 1990s but was strictly localised. On the contrary, in some regions (Prague), branches (construction), and educational levels (higher education, especially in economics and law), there was a shortage of workers. Active workers profited from newly opened markets; huge mobility flows evolved between the 'old' and 'new' sectors, testifying to the high labour commitment and capacity for alternative strategies by those workers. The relative ease with which workers become promoted caused some lack of pressure to enhance qualitative standards in job performance.

During the first years of transition, large manufacturing companies exhibited pre-privatisation behaviour supportive of labour hoarding in response to an uncertain future, a phenomenon sometimes referred to as 'capitalist paternalism'. Ambiguous forms of cross-ownership were of particular concern: the state remained an important shareholder in large banks, which in turn controlled the most important Investment Privatisation Funds (IPFs) and through them the firms themselves.² IPFs had incentives to maximize their allocation of capital but not to put pressure on management or to promote the restructuring of firms.

Weak corporate governance structures created economic difficulties for many firms and even led to their collapse, particularly after banks were put under hard budget constraints and radically curtailed lending in 1997. The lack of micro-level restructuring and the state's lack of concern about corporate transparency and governance became apparent. The largest firms fell into financial difficulties and massive lay-offs occurred. According to an OECD study, the key reasons for the sudden increase in unemployment were the economic slowdown and the more energetic steps taken towards firm-level restructuring, which led to a deterioration of the conditions in the labour market [OECD 2000: 105].

By 1998, when the Social Democrats formed the government, the privatisation of companies accelerated. The remaining state shares in banks and mines, Czech Telecom, and other distribution and communication companies were privatised. Simultaneously, as the role of IPFs declined, the ownership structure of the economy was gradually consolidated. Together with increasing FDI inflows, this contributed to an accelerated pace of enterprise restructuring. A reduction of redundant staff caused a rise in unemployment, and its rate almost doubled between 1997 and 2000, reaching 8.7% [OECD 2006]. Economic recovery was accompanied by a fall in unemployment of up to 7% in 2006. However, the stock of long-term employed has grown steadily, rising from 30% to 55% between 1997 and 2006.

² In this connection, David Stark [1992] has referred to 'recombined ownership', Lubomír Mlčoch [1995] to 'state capitalism', and Iván Szelényi et al. to 'managerial capitalism' [Eyal et al. 1998]. The term 'bank socialism' is also used in the same context.

1.2. **The changing composition and mobility of the labour force**

Many changes occurred under the market regime, the first being the establishment of independent work. Self-employment was rare in communist Czechoslovakia, even in comparison with Hungary and Poland. The number of entrepreneurs (along with self-employed without employees) rose very slowly until 1998, when it reached 200 000 people (4% of the employed), then stagnated, and has been declining in the 2000s. Conversely, the number of self-employed increased steadily until 2003, when it reached 580 000 people (12% of the employed), but it has declined slightly since then.

Considerable changes were also evident in the composition of the labour force by industry and occupation. After 1989, the agriculture and manufacturing industries went into a rapid decline, while the traditional tertiary sector (trade and private services) expanded. In the early 1990s, the largest employment reductions occurred in manufacturing and agriculture. The only exception was the construction industry, which maintained a strong position. The trades sector had the strongest employment growth.

Despite considerable growth, the service sector in the Czech Republic is still relatively small compared to EU countries. It especially lags behind in services for manufacturing and in research and development. Banking and financial services initially ballooned, but began to decline again in the late 1990s, after the final privatization of the large banks. In the tertiary sector, public administration and services for firms underwent considerable expansion, especially in comparison with the stagnating number of personnel in health services, education and research.

In conjunction with the changing composition by industry, the occupational structure has also changed. While the number of manual workers (both unskilled and skilled) has declined, higher-level occupations – managers, professionals, and top officials – have expanded. For example, the number of managers and top officials has increased by 70 000 and the number of professionals (white-collar specialists) by 60 000 workers. Occupational hierarchy is increasingly expressed in (or linked to) wage disparities.

In terms of labour mobility, there is a discrepancy in the data between current LFS statistics and sociological surveys that have questioned mobility retrospectively. The LFS began in 1993 when the ‘revolutionary’ changes were already over, and it covers only entries to or exits from the labour pool and the year-to-year shifts between industries. According to this source, the Czech labour market reached a turning point in 1995, when job-to-job movements involved almost half a million workers. Since 1997 increasing mobility has been fuelled by the growing numbers of employees who either become unemployed or become economically inactive (usually due to early retirement).

Table 1.1. Changes in the work histories of respondents between 1990 and 2005 (%)

Type of shift	Between 1990 and 1997			Between 1997 and 2005		
	Men	Women	Total	Men	Women	Total
Entered employment	11.2	8.9	10.0	14.6	11.3	12.9
Retired	21.1	22.2	21.7	16.0	17.2	16.6
Changed job once	23.4	23.3	23.3	26.4	18.5	22.4
Changed job more times	16.5	10.4	13.2	15.6	12.3	13.9
Changed occupation once	20.0	19.2	19.6	17.9	15.6	16.7
Changed occupation more times	9.9	4.6	7.0	10.1	8.1	9.1
Started private business	10.8	6.8	8.6	12.3	3.9	8.0
Promoted	18.9	15.0	16.8	13.0	11.1	12.0
Demoted	8.4	4.9	6.5	7.8	3.7	5.7
Lost employment once	12.8	12.8	12.8	15.3	16.7	16.0
Lost employment more times	4.2	3.5	3.8	8.8	4.9	6.8
<hr/>						
Count of shifts*						
0	56.5	59.1	57.7	63.3	76.9	69.6
1	32.7	32.0	32.3	30.0	18.4	24.7
2 and more	10.9	8.9	10.0	6.7	4.6	5.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: ISSP 'Work Orientations' 1997 and 2005. All persons aged 18–75.

* The summary count of shifts refers to the population currently in the labour force (excluding enters/exits) and includes only changes of jobs, occupations and employment, by controlling overlapping between one and more changes in respective types of shifts.

Two sociological surveys provide us with information on individual shifts in the labour market in two periods, with 1997 as the divide (Table 1.1). In terms of the total number of changes, in the second period 70% of people remained stable in their jobs and worked, compared to 58% in the first. In terms of concrete shifts, unemployment was experienced more frequently in the second period, especially recurring unemployment. Fewer job promotions occurred in the second period, but there was no increase in demotions. While fewer women entered the labour force on their own account, more men did so instead, so that the average figure has remained the same.

In contrast to job and occupational mobility, relatively little territorial mobility has emerged. This is in contrast to the expectation that migration would increase after socialist over-employment was dismantled, new job and housing opportunities were created, and job relocations became necessary. However, the very opposite has occurred in the CR: while internal migration never fell below 250 000 people annually during the 1970s and 1980s, it decreased steadily during 1990s and barely surpassed 200 000 migrants in the early 2000s.³

³ Nevertheless, demographers suspect that a share of migration goes unrecorded as people move to unofficially rented apartments.

A major reason for decreasing migration is the underdeveloped rental market. While the situation has been advantageous for people who already have housing (the tenants of former state-owned apartments in particular), the situation has become critical for young people and families who are willing or have to move. The black market in housing flourished as a result of continuing rent controls. A substantial deregulation of rents should only start in 2007, in response to pressure from the Constitutional Court and the threat of large penalties that the state could have to pay to residential housing owners.

1.3. The unemployed and vulnerable categories

The unemployment stock more than doubled between 1993 and 1999, reaching 470 000 people by the end of 1999 (which equals a 9% unemployment rate) but later decreased steadily to 365 000 by the end of 2006 (7%), according to the LFS. Women, particularly those up to the age of 34, were significantly affected. With regard to age, the unemployment rate is lowest among people of pre-retirement age; both the protection of workers in pre-retirement age and frequent early retirement are probable factors in this. In contrast, unemployment increasingly afflicts young people, and recently this has also included university graduates.

Looking at the composition of unemployed persons by economic sector and branch, the most vulnerable industries are mining and catering among men, and agriculture, trade, and catering among women. Workers in the catering industry have been strongly exposed to labour instability and unemployment because these jobs were generally temporary and were performed by large numbers of unskilled people pursuing new opportunities during the transition. Since 1999, even branches of the finance sector that were spared unemployment during the economic transition have announced large lay-offs (albeit the number of redundant bank officers is less than the number of redundancies in the catering industry).

There is an increasingly negative correlation between unemployment and education. However, this general rule is counterbalanced by the high exposure to unemployment among school leavers, among whom unemployment is on the rise. Since October 2004, years spent as a student are no longer recognised as a basis for entitlement to unemployment benefits. According to the new arrangement, young people who cannot find a job will be obliged to take a subsidized job. At the end of 2006 the unemployment rate in the 15–19 year-old age group peaked at 41% and at 14% in the 20–24 year-old age group. Two of the factors behind the sharply rising unemployment rate among manual workers with only an elementary education are their lack of skills and the large proportion of people of Roma ethnicity among them.

The distribution of regional unemployment is increasingly disproportionate. Differences between regional labour markets continue to grow, both in terms of the structure of the labour force and in terms of the size and structure of available employment. According to OECD computations, the average difference in the unemployment rate between more poorly and better performing regions was 4.7 times higher in the CR (among eight regions), which is similar to Poland (among its sixteen regions), but also higher than in Austria, Hungary, or France. However, even greater differences in regional unemployment were identified in Italy, Spain, and Germany [OECD 2005].

Table 1.2. Activity and unemployment rates by gender and age in 1993–2005 (%)

	Men				Women				Total			
	1993	1997	2001	2005	1993	1997	2001	2005	1993	1997	2001	2005
<i>Activity rate:</i>												
15–19	37.9	25.9	12.9	10.1	33.1	19.8	10.1	7.6	35.5	22.9	11.5	8.8
20–24	86.2	82.4	76.9	65.5	53.8	57.9	60.7	48.5	70.4	70.4	69.0	57.2
25–29	96.4	96.4	95.0	93.6	64.4	61.7	63.7	65.3	80.8	79.4	79.7	79.7
30–34	97.8	97.2	97.5	97.3	80.2	77.2	76.1	73.5	89.1	87.4	87.0	85.6
35–39	97.3	97.3	97.3	97.0	89.8	86.8	87.1	86.1	93.6	92.1	92.3	91.7
40–44	96.9	96.3	96.1	95.8	91.4	91.6	92.3	90.9	94.1	94.0	94.2	93.4
45–49	93.6	94.5	94.1	94.7	91.9	90.5	91.5	91.6	92.7	92.5	92.8	93.1
50–54	88.3	89.5	90.4	90.8	78.2	82.1	83.5	87.4	83.2	85.7	86.9	89.1
55–59	71.1	77.9	76.9	82.8	26.0	34.6	33.3	49.0	47.4	55.3	54.2	65.4
60–64	26.6	30.3	24.1	34.4	12.3	14.1	13.0	12.9	18.8	21.6	18.1	23.0
65-	9.4	8.7	6.8	6.3	3.9	2.9	2.2	2.3	6.0	5.1	4.0	3.9
Total	71.3	71.1	69.4	68.7	52.3	51.8	51.3	50.6	61.4	61.1	60.0	59.4
<i>Unemployment rate:</i>												
15–19	10.1	13.8	32.9	44.6	13.9	20.3	43.1	42.2	11.8	16.5	37.3	43.6
20–24	5.3	5.7	13.7	15.8	8.0	7.3	13.8	15.7	6.3	6.4	13.7	15.8
25–29	3.0	3.7	6.6	6.4	8.9	9.4	13.0	11.7	5.3	5.9	9.1	8.5
30–34	3.1	3.2	5.1	4.2	5.9	7.5	12.1	10.9	4.4	5.1	8.1	7.0
35–39	2.5	3.5	5.6	4.5	4.2	4.8	9.7	9.3	3.3	4.1	7.5	6.7
40–44	2.3	3.2	5.2	4.9	3.8	4.3	7.6	8.0	3.0	3.8	6.4	6.4
45–49	2.5	2.8	5.2	5.7	2.9	4.0	6.4	7.4	2.7	3.4	5.8	6.5
50–54	1.6	2.6	5.2	6.1	2.6	3.5	7.5	9.0	2.1	3.0	6.3	7.6
55–59	1.8	2.5	4.5	5.3	4.5	3.6	5.2	6.5	2.6	2.9	4.8	5.8
60–64	6.9	4.9	3.9	2.0	7.3	6.7	7.5	5.3	7.0	5.6	5.3	3.0
65-	5.3	3.5	3.4	2.8	5.4	3.5	6.5	3.3	5.4	3.5	4.5	3.0
Total	3.4	3.9	6.7	6.5	5.4	5.9	9.9	9.8	4.3	4.8	8.1	7.9

Source: Labour Force Surveys.

A closer observation of the composition of the rate of economic activity and unemployment by age (Table 1.2) reveals some marked trends. The rate of economic activity among young people is in sharp decline as a result of the longer period of education (the trend is more complicated among women owing to declining fertility rates and the postponement of having children). However, unemployment among young people is also increasing owing to the difficulties they face in finding their first job. At the other end of the age profile, there is an increasing activity rate among both men and women close to retirement age (55–59 for women, 60–64 for men), which corresponds to the period preceding the statutory termination of their economic activity. Among even older persons, we can observe a stagnant level of activity among women and a decline among men.

The statutory retirement age has risen slightly, with the current age limit set at 63 years of age, and with a view to raising it further to 65 years of age. However, the prevailing wish among the Czech populace is to retain the current conditions. Only 30% of people – regardless of their age – agree with increasing the retirement age to better correspond to longer life expectancy and better health (CVVM, March 2006). When a generous early retirement scheme was introduced in 1997, its use became very popular and early retirements increasingly made up a considerable percentage of all pensions allotted, reaching 60% of all old-age pensions in 2000 and 2001. Consequently, the softer option of early retirement with temporarily reduced benefits was abolished in 2004.⁴

The problem is not simply that of an unwillingness of older people to continue working. One-third of the people who have had to look for a new job at some point in the decade leading up to retirement declared having experienced age discrimination. In 2003, 45% of persons 50–59 and 40% of persons 60–69 were worried about possibly losing their current job. Older people feel much more affected by job loss than younger cohorts. At the same time, they are also less optimistic about assistance from the labour office – more than half of people over the age of 50 expect having only state financial support to rely only or nothing at all [Vidovičová 2005].

An OECD study [2004] focused intently on this problem.⁵ It stated that the process of population ageing is far more pronounced in the CR than in most other OECD countries and that people in the CR are also exiting the labour market relatively early. Experts recommended reducing the work disincentives that are built into the welfare system, strengthening the activation stance of employment programmes, and improving skills and the employability of older workers. Attitudes and perceptions towards older workers have to change as well. The recommendation has had apparently no effect on policies and attitudes at various levels.

For policy reasons, the *Employment Act* lists the following categories of persons who require special attention: disabled people, adolescents who have completed only primary school, people leaving secondary school and university and entering their first job, jobseekers over 50 years of age and workers made redundant due to restructuring, jobseekers without qualifications, jobseekers registered longer than six months, citizens requiring special assistance, and ‘inadaptable citizens’ [Večerník 2001].

Negative characteristics often tend to accumulate in a single individual. For instance, according to surveys made by the RILSA in 1998–2002, 44% of disabled workers have only primary education, 70% are aged over 40 years, 68% were registered more than once by the labour office, and 30% are long-term unemployed. ‘Inadaptable citizens’ constitute an extreme category (i.e. those with underdeveloped or poor work/social ethics, frequent changes of employment, criminal offences). This group of citizens is especially made up of young Roma raised in welfare-dependent families who perceive their dependency status (often compensated by illegal business activities) as a standard way of life.

4 The Pension Insurance Act introduced two options: 1) permanently reduced early retirement for all workers after twenty-five years of pension insurance, but not earlier than three years before the legal retirement age; 2) temporarily reduced benefits solely for long-term unemployed also after twenty-five years of pension insurance, but not earlier than two years before the legal retirement age.

5 This author was one of the two local experts who cooperated in drafting this OECD study.

1.4. Labour market policies

In the first phase of transition, labour offices were established and became quite successful in mediating labour opportunities, and they were aided in this by the generally low unemployment rate and the relatively high availability of jobs. The number of persons trained or subsidised in employment peaked in 1992, but has decreased since, either as a result of permanently low unemployment or a lack of activity on the part of labour offices. When the unemployment rate started to rise in 1997, employment policy costs also increased, surpassing previous highs. The two reasons were the rise in unemployment and the interventionist strategy of the Social Democratic government.

In 1998 and 1999, the first *National Plan of Employment* was elaborated by the Ministry of Labour and Social Affairs (MLSA), which adopted EU directives for employment policy. Four comprehensive pillars supporting employment were elaborated and were further developed in subsequent *National Action Plans of Employment*:

- Support for the employability of human resources (increasing skills and motivation for job searching instead of claiming welfare).
- Support for businesses and employers (improved conditions for SMEs and revitalisation of several large firms, fair competition and attraction of investors).
- Flexibility of the labour market (flexible organisation of work, motivation of employers to enhance skills of employees).
- Eliminating all forms of discrimination (by age and gender, creating conditions for affirmative action in favour of disfavoured categories).

The share of active labour market policy (ALMP) measures of the total employment policy expenditures increased from 14% in 1997 up to 37% in 2006 (0.17% of GDP). The figures also include investment incentives introduced by the 2000 amendment of the *Employment Act*, which are intended to support job creation and to allow employers to request partial reimbursement of retraining costs for their personnel. Standard ALMP policies such as subsidised employment, public works and training programmes were complemented by obligatory *Individual Action Plans (IAPs)*, offered to people up to the age of 25 and to university graduates during the two-year period after graduating (but only up to age 30).

According to the *Strategy for Economic Growth*, elaborated in 2005, the current ALMP system is not sufficiently motivating, and retraining has only a short-term effect. Direct financial support for job creation is considered the least effective form of support. Programmes for more complex and targeted retraining need to be supported, particularly by focusing on basic work skills and computer literacy. An efficiency assessment ought to be carried out by independent bodies. Access to information should be improved by forging ties between the MLSA and the Ministry of Education.

ALMP measures can have only moderate effect in situation when some basic problems persist:

- Jobs are still far too costly for employers (due to the high payroll tax, which equals 47.5% of wages).
- Despite the continuing rise of the minimum wage, the unemployment trap is too attractive for low-wage categories, as the reservation wage of the long-term unemployed remains closer to the economy's average wage.

- The labour force is not very flexible (vocational and specialised schooling is stressed over a more general education) and workers are not very territorially mobile (due to rigid attitudes and the absence of a sizable rental market).
- The development of regional frameworks and the involvement of local authorities in the job creation and job retention process are somewhat weak.
- There is little improvement to the balance between family and working life and women returning to the active labour force are often faced with difficult conditions.

In comparison with the tough insurance-related benefits, the quite generous terms connected with state social support benefits curb the incentives for individuals to seek out job opportunities. Although the living minimum stagnated between 2002 and 2004 (because conditions for its valorisation were not met), while the minimum wage increased by 12% in the same period, the unemployment trap remained relatively welcoming (Table 1.3).⁶ Not only the gap between low wages and social benefits is important, but also work conditions, the territorial accessibility of the job and its costs matter. A crucial factor is the informal economy, rarely taken into account in research and policy reforms.

Table 1.3. Wage and benefits levels in 1991–2006 (% average wage)*

Indicator	1991	1992	1994	1996	1998	2000	2002	2004	2005	2006
Minimum wage	52.7	47.4	31.4	25.4	22.4	31.2	35.9	37.1	37.8	39.6
Unemployment benefit	50.6	29.1	32.9	28.6	25.2	26.1	25.4	25.4	29.3	28.7
Subsistence amounts for single adult	55.1	45.8	39.1	35.5	36.2	34.6	33.0	29.2	29.9	28.3
Subsistence amounts for family of four**	181.4	150.7	127.7	112.7	111.2	103.1	96.3	85.4	86.3	81.1
Net minimum wage in % of subsistence amount for single person		106.0	87.6	80.5	69.6	97.2	114.9	123.9	133.1	152.0

Source: Ministry of Labour and Social Affairs.

* Only the minimum wage is related to gross average wage, all other items are related to net wage, estimated on family expenditures data by the Ministry of Labour and Social Affairs.

** Two adults and two children 10–15 years old.

A welfare system that invites dependency is especially advantageous to the Roma population. In recent years, many Roma have been replaced by foreign workers in the jobs they traditionally performed. They are also often subjected to discrimination. Given that social benefits increase steeply with the number of offspring, children are sometimes regarded as breadwinners for the whole family. There are no controls applied to how families actually spend social benefits, even those intended for children. Welfare dependency is particularly widespread in regions with above-average unemployment, such as Northwest Bohemia and North Moravia.

⁶ The minimum wage already surpassed the living minimum for a single adult in 2000, and its relative value has continued to improve, currently at 52 percentage points above the level of the living minimum for a single adult.

Important changes have been introduced since 2005. School leavers can no longer register themselves as unemployed, and if they are not successful on the labour market, they are supposed to take a subsidised job. Measures have already been enacted that advantage people who are working over those who are not, advantages such as tax credits. The new benefit system introduced in January 2007 is expected to support work motivation by the possibility to reduce or even withdraw benefits in the case of the lack of activity or non-cooperative behaviour on the part of recipients. At the same time, those working for the minimum wage will be further entitled to social benefits. To calculate benefits, only 70% of earnings will be counted to estimate material needs.

With regard to education and training, the new *Act on Employment* (in force since October 2004) expanded access to training for anyone interested. Labour offices can also pay for courses for other people than registered job seekers. Instead of establishing a systematic approach to further education, the relevant legislation deals only with the issue of the verification and recognition of the results of various forms of education (*Act on the Recognition of Professional Qualifications*, in force as of May 2004). According to an April 2006 report of the National Training Fund, the Czech Republic ranks twenty-first among the EU-25 in terms of participation in further education programmes (30% of the population participates in such programmes, compared to the EU average of 42%). The unemployed and people with low qualifications fare the worst in terms of access to programmes to further their education.

1.5. The flexibility of the labour force

Under communism, labour stability was required and rewarded. A lasting legacy of the communist period is the tendency for people to work in dependent employment, full time, with an open-ended contract, and during regular working hours. However, there was considerable ‘work’ flexibility in people’s private lives, as they practised and pursued various informal and domestic activities. Under the market regime, new forms of economic activity and work contracts have appeared and spread. The emphasis is on individuals enhancing their adaptability and flexibility through broad skills, multi-task jobs, flexible contracts and working hours, and the ability to commute or migrate to places with available jobs.

Labour statistics record only some types of flexible arrangements. Other sources, particular household surveys, can be used to supplement that data. The ‘Social Situation of Households’ survey conducted in 2001 is the most complete picture available in current statistics (Table 1.4). However, there are several hidden forms of flexible labour that involve various combinations of formal and informal activities. These are an extension of experiences from the communist period, when people learned to seek alternative ways of supporting themselves. The following analysis describes some of the flexible arrangements in use today.

Table 1.4. Various characteristics of the employed by sex, age group, and education in 2001 (%)

Characteristic	All employed				Of them: with secondary or tertiary education			
	Men of age		Women of age		Men of age		Women of age	
	24-49	50-64	24-49	50-64	24-49	50-64	24-49	50-64
<i>Main job:</i>								
Employer	6.1	5.5	2.8	2.6	8.5	9.6	3.7	3.9
Self-employed	15.0	12.4	8.4	7.4	15.1	13.0	9.4	9.0
Open-ended FT	67.0	69.2	71.3	73.1	66.7	67.9	71.6	73.4
Open-ended PT	0.8	1.1	3.5	3.0	0.8	1.1	2.5	2.5
Temporary FT	9.6	8.0	11.3	8.0	7.8	5.9	10.3	9.1
Temporary PT	0.2	1.5	0.9	3.3	0.1	1.1	0.9	1.5
Other forms	1.3	2.3	1.8	2.6	1.0	1.4	1.6	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Second job:</i>	6.9	6.7	4.8	5.4	10.0	10.7	7.0	7.4

Source: Social Situation of Households 2001.

Notes: FT = full-time job, PT = part-time job.

Self-employment in the CR is above the EU average – 18% today compared to 15.6% in 2005 [Employment in Europe 2006]. Data on the development of the self-employed are not uniform. According to the LFS, the number of self-employed increased steadily until 2003, reaching 728 000 (including entrepreneurs), after which in 2004 and 2005 the figure decreased. But it increased again – only in the category of employers – in 2006 (747 000). The Czech Social Security Administration reported a decrease in the total number of self-employed after 2003, but at the same time an increase in the number of people required to make monthly social insurance payments, i.e. people whose main job is a form of self-employment (the number of which peaked at 757 000 in September 2004, with a sharp decrease since then). This suggests that changes in tax legislation have led to the gradual demise of self-employment as a form of occasional work and additional income.

In fact, self-employment is a part-time much more often than a full-time activity. In the early 1990s, about one-quarter of non-pensioner households declared some income from self-employment performed on the basis of a business license. Until the late 1990s, the share of households in which there was at least one person with a business licence increased to 40%. Of these households about 12% declared self-employment to be their only source of income, 33% declared self-employment as their main source of income, and 42% declared self-employment as only a complementary source of income. The remaining 12% declared no income from self-employment, even despite holding a business license (EEA).

Part-time jobs in the CR are a little-used form of employment: only 4.9% of the population works part time, compared to the EU average of 18.4% [Employment in Europe 2006]. The declared reasons for having a part-time job in the Czech Republic, include in one-fifth of cases, especially among women, employer objectives (a lack of work to be performed). But most of the reasons for not working full-time are on the side of the employees: men frequently declare health reasons and continuing education, while women usually cite child care (LFS). Temporary part-time contracts are much more common among both older men and women compared to the prime-aged population.

Fixed-terms contracts are used by 8.6% of workers in the CR, compared to the EU average of 14.5% [Employment in Europe 2006]. Unlike part-time work, fixed-term contracts are less frequent among older employees – particularly in full-time jobs – and this may indicate some discrimination in this regard. Older women with secondary and tertiary education more frequently have temporary jobs. The prevalence of these jobs among older workers is tied to a selection effect that tends to keep people with tertiary education in the labour force at a higher age.

Information on *second jobs* does not seem to be complete. According to LFS, 250 000 workers declared having a second job in 1993, but in 1999 the figure was 133 000 and in 2006 it was 104 000 (declining from 5% to 2% of the labour force). However, in sociological surveys, as much as one-third of economically active persons declare being employed in supplementary activity. Of them about 30% declare having a second job, 30% also being self-employed, and the remainder make supplementary earnings in some ‘other’ way (EEA). Those include unreported and mostly untaxed regular activities such as manual work, trade and consultancy, as well as many irregular activities.

Information from sociological surveys suggests that the flexibility of the labour market has stagnated somewhat (Table 1.5). In terms of working-hour flexibility, in 2005 the working hours of economically active people were set more than in 1997. Regarding workplace flexibility, more people also report that their work is fixed to one site away from home. But the flexibility of contracts has remained stable at an average that summarises opposite trends for men and women. These results are all somewhat surprising given the fact that the percentage of self-employed people in survey samples (including entrepreneurs) has increased over time: from 11% in 1997 to about 14% in 2001 and 2005.

Table 1.5. Flexibility of time, location, and work contract in 1997 and 2005 (%)

Criteria	1997			2005 (2001)		
	Men	Women	Total	Men	Women	Total
<i>Who decides about working hours:</i>						
employer only	50.0	61.0	55.0	53.7	64.7	58.7
the person partly	33.6	28.1	31.1	29.8	25.4	27.8
the person fully	13.1	7.4	10.5	15.7	7.1	11.8
can't choose	3.3	3.5	3.4	0.8	2.7	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
<i>Usual location of work:</i>						
one place away from work	64.2	85.7	74.1	82.3	90.3	86.0
at home	4.0	1.3	2.8	4.4	4.4	4.4
partly away/partly at home	7.3	5.6	6.5	4.6	3.9	4.3
in a variety of places	21.9	3.9	13.7	8.3	0.7	4.8
can't choose	3.3	3.5	3.4	0.4	0.7	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
<i>Work contract (for employees only):</i>						
no written contract	2.1	1.0	1.6	1.2	1.1	1.1
fixed-term less than 12 months	6.3	3.3	4.9	9.5	12.4	10.9
fixed-term one year or more	7.1	7.1	7.1			
open-ended contract	81.5	85.7	83.5	86.0	83.7	84.9
can't choose	2.9	2.9	2.9	3.3	2.8	3.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: ISSP 'Work Orientations' 1997 and 2005; HWF survey 2001. Employed persons only.

Unfortunately, in the ISSP 2005 module, the questions on place and contract flexibility were not repeated. Therefore, we used similar questions posed in the 2001 HWF survey. This data are marked by italics.

We can therefore assume that the main segment of flexibility remains hidden in several practices that lie at the interface between the formal and informal economy. These include:

- *Informal payments* (particularly frequent in catering), when only a low wage is paid officially and the rest is given in cash, left to the discretion of the employer (thus avoiding payroll tax for both sides).
- *Hiring workers with business licences*, wherein employers enlist workers who have a 'trade licence' (again enabling employers to avoid paying payroll tax and fulfilling work contract requirements). The possession of a business license is a must for employment in many private firms. Hiring foreigners (typically Ukrainians), especially for hard manual labour, who perform unskilled jobs in construction and agriculture, or work in hypermarkets and in

textile manufacturing for less than the minimum wage, moreover often under slavery conditions.⁷

- Using a contracting agency to provide labour, without any obligation on the employer's part; the practice widely used, especially in construction where foreign (again mostly Ukrainian) workers are supplied as cheap labour by their agents operating on the brink of the law.

Attitudes towards flexibility requirements obviously differ on the two sides of labour contract. Trade unions view job flexibility as only serving the interests of employers, and emphasise other principles such as avoiding job security risks and maintaining the dignity of employees. The stance of employers is that labour and employment legislation is predominantly on the side of employees and that amendments to the legislation only strengthen the imbalance. In their view, the procedure for firing employees is long, difficult and costly. Small entrepreneurs are especially reluctant to hire school-leavers, who are perceived as having a lack of skills, while making high demands in terms of earnings and other conditions.

In theory, legal norms do not pose any serious barriers for labour to smoothly adjust to market conditions – they only make the procedure more difficult for both parties. In practice, because of limited law enforcement, employers can evade the legal rules with their employees. For example, employees are sometimes required to work in exceedingly poor conditions or accept more overtime than the law allows; hiring and firing often do not respect the legal procedures. Multinational commercial chains also avoid regulations and set their own rules of work organisation and job treatment. As mentioned above, small entrepreneurs circumvent labour law by means of various tricks.

At the same time, employers' arguments about employees' low reliability and weak loyalty are partly grounded in fact. Only a half of employees said that they are willing to work harder for the success of their firm, and only 40% declared that they are proud to work for it. Even so, only slightly more than one-fifth would not be attracted by a higher salary, even if it were to be a small raise. In cross-national comparison, Czech employees belong among those least loyal and reliable for their employers [Večerník 2004]. Similarly, the intrinsic value of work and having a job are not appreciated in the country, unlike earnings and other material advantages. All those figures have worsened over time [Večerník 2006].

1.6. Conclusion

Despite voluminous information available regarding the labour force and labour market, the data is too dispersed and inconsistent to analyse current trends and possible future problems from various perspectives and in-depth. Indeed, many more issues are at stake than is covered by labour statistics and sociological surveys. We would particularly need large and homogeneous datasets covering a broader area of issues and suitable for multivariate analysis. Since those datasets are not available, we can only make tentative hypotheses and highlight key issues and questions for the future. The

⁷ Employers avoid the Labour Code and wage tariffs via the client system, which the International Organization for Migration described as '... the world governed by informal rules generated in the environment of black economy of former USSR with all the techniques and criminal practices' [IOM 2005].

new EU-SILC survey series is the closest to such requirements. Nevertheless, no single survey can provide the complete picture of the labour market and answer all open questions.

The first question is whether the future Czech economy will look more like an 'assembly line' or a 'laboratory'. Growing FDI has been predominantly directed towards manufacturing, car production in particular. In addition to cars produced by Volkswagen's Skoda and TPCA (the alliance of Toyota, Citroen and Peugeot), Hyundai's May 2006 contract with the Czech government to make cars in North Moravia. This suggests that manufacturing will remain the cornerstone of the Czech economy. The percent of Czechs with a university degree is still low, despite the considerable growth of students after 1989. Considering also the low levels of public support for research, this suggests that the 'Czech intellect' is not keeping up with the industrious 'Czech hands'. Rather than becoming knowledge-based, the Czech economy is likely to maintain its manufacturing character.

The second question relates to labour productivity and work commitment. Czech labour productivity is increasing (even at a 5% rate last years). Like other new EU member states, this has largely been due to the modern technologies and forms of organization that have been brought into the country by foreign companies [OECD 2006]. So far, Central Europe is attractive for Western companies given its comparative advantage of low labour costs and proximity to emerging markets. However, the work commitment of the majority of Czechs is rather low. In addition, the relationship between competencies and performance, on the one hand, and earnings and fringe benefits, on the other hand, is still far from being strong. It is thus an open question whether work efficiency can be high in the face of lax work commitment.

The third question refers to the differentiation, if not a kind of segmentation, of the labour market. In contrast to the large foreign companies, which are generously supported by investment incentives, many local SMEs struggle to survive and have not been able to make significant use of local intellectual capital or research partnerships. In a way paralleling the rigid system of higher education, which is increasingly selective on the basis of social background [Matějů et al. 2006], labour also seems to be divided between the core sector of large export manufacturing and the periphery of auxiliary firms. Also, while strategic services have developed slowly, the public administration has been expanding – which does not correspond to trends in performance or efficiency.⁸ In that light, a question appears whether the labour market remains fragmented or dynamically adapt to emerging economic conditions.

The fourth question concerns the cultivation of the economic environment, i.e. clear and consistent legislation accompanied by law enforcement, streamlined procedures and efficient administration. Will the state be able to tackle corruption and excessive bureaucracy, which acts as an additional 'tax' on the economy? Small entrepreneurs in particular complain of the legal jungle, the lack of transparency in market competition and state support, and their uneven treatment compared to large companies. In cross-national comparison, the rigidity of the Czech labour market (regulation and the costs of hiring and firing) is not considered too high. Nevertheless, employers

⁸ Strategic services such as customer support, consultancy centres, software and information development, and applied research were only recently involved in the Government's investment incentive programmes. In 2005, the proportion of investments in production and strategic services was 36:65 in the CR compared with 56:44 in the EU as a whole.

perceive labour legislation as not very employment-friendly and the social system as too generous, which ultimately makes low-paid jobs unattractive to unskilled local workers (Doing Business).

Despite many problems, the Czech labour market remains quite worker-friendly. During the transition, newly introduced 'hard' labour market conditions were assumed to lead to more demanding criteria and more intensive work performance. However, the coincidence of the experience people were accustomed to from the past and the 'velvet conditions' of the early transition led many people to maintain the belief that the state is responsible for jobs and work opportunities. Values surveys report that the importance ascribed to self-fulfilling aspects of work is rather low and decreasing and that people prefer employee security to the challenges of self-reliance and entrepreneurship. Rising stock of long-term unemployed refers to both the rigidity of the labour market and easy conditions of welfare dependency.

The new measures introduced since 2005 and since 2007, are rather insufficient to enhance motivation to work instead of welfare dependency. Moreover, to put already accepted changes into practice might be difficult. Labour offices are understaffed and can only formally comply with new forms of activation and the possibility to withdraw the benefits in cases of non-cooperation on the side of job seekers. Instead of a harmonised approach, benefits are provided separately by labour offices (State Social Support) and municipalities (Social Assistance). Instead of benefit reduction, mandatory spending on social protection is rising. Instead of local job seekers, foreigners often take vacant jobs. While the overall unemployment rate is on the decrease, very long-term unemployment (two years and more) is climbing. None of this is a good investment for the future, when a slowdown in economic growth could come along.

2. Changes to Earnings and Income Inequality⁹

Jiří Večerník

There seems to be a gulf between the analysis of earnings and the analysis of household income. While earnings fall under labour economics, household income lies more within the sphere of social policy. But rare are the analyses that describe both and discuss the connections between the two. In the seminal work by Atkinson and Micklewright [1992] both types of distribution are presented and the relationship between them is analysed. In the *Handbook of Income Distribution* [Atkinson and Bourguignon 2000], the two fields are approached more separately, with the exception again of Atkinson and Micklewright's chapter on income distribution in transition. The only study in recent literature that treats the two fields in interrelation is Gottschalk and Danziger's [2005] analysis of inequality in earnings and household income in the United States.

Despite this division within the field of economics, in the real world, the choices, decisions, and strategies relating to these two spheres are made within a single unit – the household. A household's living standard depends on other events and factors, ranging from the specific educational paths of each individual, to selective mating, to how husbands and wives shape and balance their careers, to the decisions they make about the timing and number of children they have and how they share the responsibility of caring for them. In analytical terms, the process starts with individual earnings and continues with the accumulation of individual earnings in the household. Other 'market incomes' are added from business and property. Then there are the various social benefits that are received and income tax and contributions that are levied. For analytical and comparative purposes, total disposable income should in some way be adjusted to take into account household size and composition.

A comprehensive picture of how household earnings are determined and how household income is packaged is still lacking for the Czech Republic, and, for that matter, for many other countries, too. The first part of this picture relates to the Czech labour market, a good description of which has already been provided elsewhere [Chase 1998; Filer, Jurajda and Plánovsky 1999; Flanagan 1995; Jurajda 2000; Münich, Svejnar and Terrell 1999]. I also have written several papers that trace post-1989 developments in earnings [Večerník 1991, 1995, 2001a]. But the second part of the picture, which relates to couples and households, is rarely depicted, and here I must refer to my own earlier work [Večerník 1996, 2001b]. Between these two parts there is also redistribution by transfers and taxes, which, despite its enormous importance, again has only been insufficiently dealt with to date [Schneider and Jelínek 2001, 2005; Večerník 2002, 2006]. The objective of this paper is to fill in this picture more fully.

⁹ This research was supported also by a grant from the CERGE-EI Foundation under a programme of the *Global Development Network (GDN)* No. RRC V-37 titled 'How the Labour Market and Earnings Affect Family Income?'

Fortunately, there are surveys available in which data on personal earnings and household income have been collected simultaneously and from which it is possible to observe the connections between these two areas. In the paper below I begin the analysis by raising several hypotheses about qualitative changes in the system and by introducing the data sources. I then present the changes in the distribution and structure of earnings, illustrating their adjustment to market conditions, and proceed to point out the intermediary factors between earnings and resulting household income. The paper closes with a description of the sources of income packaging in households, their inequality, and the factors relevant to how household income is collected and distributed.

2.1. System changes after 1989

Through ownership restructuring and the liberalization of labour contracts the economic reforms introduced since 1989 have caused pronounced shifts in earnings distribution and in the shape of the income structure in the Czech Republic. Newly established and foreign firms were granted more liberty over wage settings and have consistently sought to attract highly skilled people by offering higher wages. Labour mobility increased as people found better-paid jobs. With the removal of wage regulation, former state-owned companies also began to have greater discretion over the remuneration of their employees and differentiating wages.

A number of evident changes that can be described in quantitative terms occurred: an increase in earnings inequality in general, higher returns to education, new wage differences by industry, a changing age profile relating to earnings, and a gender wage gap. However, changes have also been qualitative and systemic, and this raises the question of how best to approach these changes. There is scant theory in this area. The 'socialist' reward system was presented in ideological rather than properly theoretical terms, while, conversely, the 'capitalist' system is most often explained solely in terms of human capital theory, which fails to cover the other dimensions of inequality.

However, there is a big gap between the way the socialist (command) economy presented itself and reality. While it pretended to follow Marx's dictum about the targets of reward in a socialist society – 'each according to his abilities, to each according to his work' – in reality it applied a principle derived instead from Marx's labour theory of value: the capitalist exploits the worker, receiving from him the whole product, but paying him only for his reproduction [Marx [1867] 1965]. Reward is governed by the principle of meeting basic needs: workers must be nourished and their families must reproduce themselves. This implies that demographic characteristics (sex and the life cycle) have the most weight in determining wages, which reflect the costs of the reproduction of the labour force.

Although 'equalisation' was verbally challenged by the regime as harmful to work incentive and especially as incompatible with the Marxist theory of 'socialist society', it was the predominant guiding principle and was resistant to all attempts to 'de-equalise' wages during attempts of economic reforms. However, two sorts of preferences were applied. In accordance with the 'need principle', workers in mining, metallurgy and heavy machinery should be better paid, as they needed to 'eat more'. Alongside the implicit need principle, the explicit principle of labour's 'public utility' for the regime was applied, which endorsed higher rewards and other privileges for top party and state bureaucracy officials, army officers, police staff, and even for top athletes and artists.

In the alternative approach, society is organised according to the ‘market principle’. In agreement with Adam Smith’s explanation, human behaviour is internally regulated by profit-seeking. The market differences that appear reflect individual contributions to labour productivity and production efficiency. Therefore, instead of demographic and reproductive features, market characteristics move to the fore. The administration of wages according to reproduction needs is replaced by distribution based on contributions to national income, which are themselves products of education, job commitment, and managerial responsibility.

Scheme 2.1. Distribution of earnings under the command and the market economy (stylised)

Characteristic	Command economy	Market economy
<i>Generator of inequality</i>	the state, only marginally also the labour market	the labour market, the state setting the framework
<i>Distribution according to</i>	basic people’s needs but also loyalty to the regime	skills and performance, but also network appurtenance
<i>Main factors of disparities</i>	gender, age, preferred industries	human capital, entrepreneurship
<i>The role of education</i>	state investment generating small disparities	individual investment generating large disparities
<i>The role of age</i>	historical generations and loyalty (linear increase)	career, accumulated experience (curvilinear)
<i>Best rewarded branches</i>	mining, metallurgy, heavy industry	finance, top technologies, professional services
<i>Managerial premiums given for</i>	political position, risk aversion	innovation, risk taking

Scheme 2.1 presents an attempt to sketch a stylised outline of the changes in earnings distribution. All the facts are stylised and represent only an approximation of a much more complex and obscured reality. The differences between regimes suggest that the whole macroeconomic context of disparities in earnings is changing – from the general economic goal and the main generator of inequality to the role of gender, age, education, and managerial position in generating disparities. Each system has a different emphasis: either managers or rank-and-file workers, either the working class or the middle classes, and either manual or mental work.

There are several obstacles in the way of turning this outline into an analysis of real data. First, in reality no system appears purely as one kind of system. The equalised socialist society also combines the privileges of a totalitarian ruling class and is distorted by an informal economy, while

market capitalism involves monopolies, networks, and state interference in the economy. Second, the lack of indicators means that not all distinctions can be operationalised; for instance, there is no indicator of work performance. And third, there are substantial limits to the information source, regarding the possibility of measurement of all the necessary characteristics and, moreover, availability of all the necessary variables in one dataset.

Bearing in mind these limitations, let us focus on just several facts:

1. According to the 'need principle', disparities in earnings are to be small, as people do not differ too much with regard to their basic needs. According to the 'market principle', differences are produced by the market and as such are in theory unlimited.
2. According to the 'need principle', it is not the individual but the household that is the unit of reproduction. Therefore, gender and age (reflecting the family situation and life cycle) are the criteria that directly determine the reward; women's earnings are moreover but a supplementary contribution to the household budget. Following the 'market principle', gender disparities are not predetermined in any way.
3. According to the 'need principle', occupation, and industry matter in terms of the amount of physical energy a worker must invest. According to the 'market principle', occupation and industry matter in terms of productivity, competitiveness and market success.
4. According to the 'need principle', the effect of education is minor or even negative (people who perform non-manual occupations, usually better educated, do not need to eat as much).¹⁰ However, according to the 'market principle', education is the main component in human capital and directly affects labour productivity, and, therefore, also the final product.

Even these simple hypotheses come up against serious data limitations. In each of these cases, the qualitative difference is approximated by quantitative shifts. It must always be kept in mind that there is no way of actually describing human needs or a worker's performance. Surveys fail to cover a large part of social reality and the available data are not entirely comparative. Therefore, the exercise at hand should be viewed as just an attempt.

2.2. The changing range and structure of earnings

Using the Microcensus surveys on household incomes of 1988, 1996, and 2002 (see the Appendix for a description of the data) I will now attempt to present the changes that have occurred since 1989 in the Czech Republic in relation to the hypotheses formulated above about various quantitative manifestations of underlying qualitative changes. As noted, this picture can only be depicted with far fewer dimensions than necessary owing to the limited amount of workers' characteristics provided in wage statistics and income surveys.

2.2.1. Overall changes

Communist Czechoslovakia was one of the most equalised countries in the world. The three decades following 1959 – when regular wage surveys started – constituted a period of unique stability in the

¹⁰ Marx also stressed differences based on 'work complexity', which were far from being able to counterbalance, however, the primary effect of the costs of the reproduction of the labour force.

overall distribution of earnings. In other European communist countries, there was periodic pressure both to increase differentials (e.g. during reform periods in Hungary and Poland) or to diminish the range in earnings (e.g. through periodic increases of the minimum wage in the USSR and Bulgaria). Nothing in this vein occurred in Czechoslovakia. Only the efforts of the 1968–1969 economic reform – aiming to de-equalise wages to strengthen their incentive effect – succeeded in increasing earnings differentials to the benefit of about five percent of highly rewarded workers [Večerník 1996].

Wage settings changed considerably after 1989. In the public sector, a new and simpler tariff grid was applied, which (like the previous one) favours experience over qualification. In most of the private sector, wages are negotiated between employers and trade unions. Since 1989 the rise in wage levels has been held back by some adverse measures. A minimum wage, previously non-existent, was introduced in 1991, but its level remained frozen until 2000. Wage growth was initially controlled until 1992, when wages were partially liberalised. After a period of no controls at the beginning of 1993, tax-based wage regulation was re-introduced, but it was later eliminated completely in 1995 [Flek 1996].

Table 2.1. Distribution of earnings among employees by deciles (percentages and coefficients)

Decile	Wage surveys					Microcensus surveys			
	1989	1993	1997	1999	2002	1988	1992	1996	2002
1	4.7	4.4	4.6	4.4	4.3	5.3	5.0	3.9	4.4
2	6.5	5.6	5.9	5.8	5.6	6.6	6.1	5.5	5.6
3	7.3	6.6	6.9	6.7	6.6	7.4	6.9	6.6	6.5
4	8.2	7.4	7.7	7.5	7.4	8.3	7.7	7.5	7.3
5	9.1	8.4	8.5	8.3	8.2	9.2	8.5	8.4	8.1
6	10.1	9.4	9.3	9.1	9.0	10.0	9.4	9.4	9.1
7	11.0	10.7	10.2	10.1	10.0	10.9	10.4	10.4	10.1
8	12.2	12.2	11.0	11.4	11.4	12.0	11.7	11.8	11.5
9	13.7	14.6	13.1	13.8	13.7	13.3	13.8	14.1	13.8
10	17.2	20.7	22.8	22.9	23.8	17.0	20.5	22.4	23.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Decile ratio	2.45	2.74	2.82	2.92	2.99	2.37	3.11	3.23	3.01
Ratio 10:1	3.66	4.70	4.96	5.20	5.53	3.21	4.10	5.74	5.32
Robin Hood Index	14.1	18.2	17.1	18.2	18.9	13.2	16.4	18.7	18.8
Coefficient Gini	-	-	-	-	-	0.20	0.26	0.27	0.27

Source: Wage surveys; Microcensus surveys.

Notes: Percentages in cells are shares of individual deciles in the total amount of income. Decile ratio is the ratio of the lower bound value of the tenth decile to the upper bound value of the first decile of wage distribution. Ratio 10:1 is the ratio of the averages of the upper and lowest deciles. *The Robin Hood Index* is the ‘maximum equalisation percentage’, which involves taking those decile groups that exceed 10% and adding the amount by which their shares exceed those levels. Algebraically, it is half the mean deviation divided by the mean. Because it basically measures the percentage that would have to be redistributed in order to obtain an equal distribution; it was called the ‘Robin Hood’ Index by the Polish/British economist Joanna Gomulka [Atkinson and Micklewright 1992: 117].

After 1989, earnings inequality, to that time stagnant, began to develop (Table 2.1). According to wage surveys, the decile ratio rose in 1989–2002 from 2.45 to 2.99. According to Microcensus data, the ratio increased in 1988–1996 from 2.37 to 3.23. However, it must be recalled that this indicator (the ratio of the lower bound value of the tenth decile to the upper bound value of the first decile of wage distribution) does not take into account the earnings of the lowest and the highest ten percent of recipients. When the averages of the upper and lower ten percents are added in, then the ratio (labelled as 10:1 in the Table 1) is even higher and the change over time looks more impressive. The two sources correspond in estimating 1:5.5 as the ratio of high to low average income decile in the early 2000s, which is 1.5–1.7 times higher than it was in 1989.

There is some ambiguity to the statistical evidence on earnings inequality after 1989. According to wage statistics, the lowest earnings category and those just above only slightly diminished in proportions or remained stable. Disparities widened as the share of the top ten percent of employees grew. The picture provided by the Microcensus surveys is similar, but even more salient at both ends of wage distribution: the top category of income distribution considerably increased its share, while the bottom income category moved slowly downwards until 1996 and has again risen upwards since. In any case, the differences in the middle of earnings distribution were relatively narrowed, and the bulk of income disparities remained compressed.

2.2.2. Gender, age, and education

The application of the ‘need principle’ under the communist regime resulted in far greater weight being accorded to the demographic characteristics of workers than to economic features in determining earnings. Among communist countries, it was in former Czechoslovakia that gender was the strongest explanatory variable in wage disparities. Age was also important because of the cumulative effect of its generational and career significance. The ‘founders of the communist regime’ (the young generation of 1948) were treated preferentially for the whole of their lives, and combined with that was also the fact that seniority served as a qualification for top management [Večerník 1991].

Regression analyses demonstrate the extensive changes that have occurred in the earnings structure (Table 2.2). While in 1988, gender alone explained 31% of the variance of earnings, by 2002 it accounted for a mere 10% of the variance.¹¹ However, the gender gap decreased much less than the significance of the gender gap did in the context of overall earnings structure. Also, the significance of the age variable (five-year categories) fell by half, and the total significance of demographic characteristics (sex and age together) decreased from 37% to 13%. In contrast, the explanatory power of education alone (four degrees) increased from 11% to 19%, which suggests that in a relatively short time span education became the most important factor in earnings variations.

According to the theory of human capital, education and experience determine the productivity of labour and, consequently, also a worker’s earnings [Becker 1964]. From this point of view, communist Czechoslovakia was among the countries where the importance of education was downgraded most. This was true not only in comparison with the advanced Western countries, but also compared with other Central and East European countries. After a period so unfriendly to the valuation of human capital and investment into it, a reverse effect could be expected to ensue leading

¹¹ The regression that includes the single sex variable and the single education variable are not included in Table 2.2.

Table 2.2. Regression analysis of ln gross earnings among employees by sex, age, and education

Variable	Regression 1				Regression 2			
	1970	1988	1996	2002	1970	1988	1996	2002
Sex	-0.475	-0.379	-0.368	-0.321	-0.444	-0.364	-0.378	-0.342
Age:								
25–29	0.190	0.217	0.179	0.145	0.165	0.184	0.109	0.107
30–34	0.265	0.371	0.230	0.125	0.241	0.331	0.157	0.110
35–39	0.306	0.421	0.259	0.156	0.291	0.391	0.200	0.123
40–44	0.330	0.462	0.262	0.167	0.320	0.431	0.225	0.163
45–49	0.345	0.465	0.267	0.112	0.345	0.435	0.229	0.138
50–54	0.327	0.463	0.270	0.122	0.331	0.444	0.222	0.149
55–59	0.270	0.394	0.202	0.100	0.281	0.373	0.153	0.103
60–64	0.234	0.203	-0.146	0.063	0.242	0.186	-0.274	-0.019
Education:								
vocational	-	-	-	-	0.092	0.057	0.159	0.141
secondary	-	-	-	-	0.179	0.140	0.424	0.423
university	-	-	-	-	0.362	0.329	0.743	0.710
Intercept	7.987	8.064	9.453	9.861	7.857	7.974	9.227	9.579
Adjusted R ²	0.393	0.368	0.180	0.129	0.440	0.448	0.371	0.326

Source: Microcensus surveys.

Omitted categories: age 24 and under, elementary education.

All coefficients are significant on the level < 0.001.

to a rapid increase in the rewards to those with higher levels of education (despite the questionable nature of some of the skills and diplomas acquired in the communist era).

The changing returns to education and experience can be measured with a standard procedure using Mincerian equations [Mincer 1974], formulated as:

$$\ln(y) = b_0 + b_1s + b_2e + b_3e^2,$$

where $\ln(y)$ = the natural logarithm of earnings, s = years of schooling and e = years of experience. As usual, the schooling variable is calculated from the years needed on average to get the degree reported in the survey, while experience is calculated as age minus schooling minus six. Another equation is used to distinguish between the returns of various education levels, formulated as:

$$\ln(y) = b_0 + b_1sv + b_2ss + b_3su + b_4e + b_5e^2,$$

where *sv* = the dummy for vocational training, *ss* = the dummy for high school, and *su* = the dummy for university education, with elementary education as an omitted category.

It must be noted that over the real lifetimes of the individuals surveyed in the sample the education system underwent repeated restructuring. In order to homogenise the various systems of schooling for this analysis, elementary education (the reference group) was averaged as corresponding to eight years of compulsory schooling from the age of six, followed either by vocational school (three years) or secondary school (four years) and university (another four to five years). The data do not distinguish post-graduate qualifications, which are still quite rare in the country. All earnings functions are estimated by ordinary least squares (OLS).

By the end of the communist era, each additional year of schooling increased men's earnings by 4.1% and women's earnings by 5.0%. Under the market regime those figures roughly doubled. The effect of experience (or rather the joint effect of a person's age and his/her generation) on earnings increased until the mid-1990s but later declined again. Whereas in 1988, the effect of experience was as strong as that of education for men, the gap between the effects of the two variables continued to widen tremendously until 2002. Between 1996 and 2002, the effect of education stagnated while the effect of experience declined, falling even to negative figures (Table 2.3).

These results are basically consistent with observations made elsewhere. According to Filer, Jurajda and Plánovsky [1999], who used a database of firms, returns to education for men in the Czech Republic amounted to 8.1% of the return to education for one year of schooling in 1995 and 9.0% in 1997. However, according to München, Svejnar and Terrell [1999], who used a special survey of households conducted among 4700 individuals in the labour force, the returns to education in 1996 amounted to only 5.8% of the return to education for one year of schooling for men and 7.0% for women, which is close to the Microcensus figures for 1992 (not presented in this paper). Underestimating disparities according to education is otherwise also quite common in sociological surveys, where people tend to respond by estimating net rather than gross earnings, even if they are being asked for the latter.

Table 2.3. Returns to education among employees: Mincerian equations, dependent variable \ln gross earnings

Category and variable	Regression 1				Regression 2			
	1970	1988	1996	2002	1970	1988	1996	2002
<i>Both sexes</i>								
Years of school	0.048	0.044	0.088	0.086	-	-	-	-
Experience	0.035	0.028	0.032	0.014	0.035	0.028	0.032	0.015
Experience ² /100	-0.059	-0.056	-0.066	-0.028	-0.059	-0.058	-0.066	-0.029
Sex	-0.440	-0.350	-0.360	-0.325	-0.438	-0.356	-0.377	-0.341
<i>Education:</i>								
vocational	-	-	-	-	0.108	0.049	0.142	0.134
secondary	-	-	-	-	0.222	0.145	0.412	0.417
university	-	-	-	-	0.459	0.387	0.739	0.722
Intercept	7.289	7.665	8.362	8.855	7.652	8.051	9.093	9.544
Adjusted R ²	0.447	0.444	0.367	0.311	0.451	0.446	0.375	0.325
<i>Men</i>								
Years of school	0.041	0.041	0.083	0.081	-	-	-	-
Experience	0.047	0.032	0.038	0.019	0.047	0.032	0.038	0.020
Experience ² /100	-0.081	-0.068	-0.078	-0.039	-0.081	-0.070	-0.078	-0.039
<i>Education:</i>								
vocational	-	-	-	-	0.070	0.040	0.168	0.132
secondary	-	-	-	-	0.179	0.123	0.394	0.370
university	-	-	-	-	0.392	0.353	0.729	0.696
Intercept	6.796	7.326	8.017	8.534	7.131	7.688	8.662	9.181
Adjusted R ²	0.240	0.260	0.275	0.216	0.245	0.262	0.278	0.223
<i>Women</i>								
Years of school	0.053	0.050	0.095	0.091	-	-	-	-
Experience	0.024	0.020	0.026	0.009	0.025	0.021	0.026	0.010
Experience ² /100	-0.036	-0.034	-0.052	-0.017	-0.038	-0.036	-0.054	-0.018
<i>Education:</i>								
vocational	-	-	-	-	0.136	0.049	0.111	0.122
secondary	-	-	-	-	0.236	0.176	0.428	0.451
university	-	-	-	-	0.532	0.452	0.763	0.741
Intercept	6.467	6.946	7.614	8.192	6.867	7.369	8.391	8.886
Adjusted R ²	0.131	0.242	0.270	0.221	0.138	0.249	0.288	0.249

Source: Microcensus surveys.

All coefficients are significant at the level < 0.001 .

2.2.3. Industries and occupations

According to the 'need principle', occupation and industry matter in terms of the physical energy the worker must invest. Production branches were much better rewarded than services were (the 'non-productive' sector in Marxist vocabulary). First and foremost were the mining and heavy industries, which were also politically important owing to their fundamental significance for the military. Agriculture was heavily subsidised under the command economy for two reasons. First, failures resulting from the collectivisation of private farming could not be admitted, and as the state decidedly favoured cooperatives it had to compensate for all their losses. Second, achieving self-sustenance in the production of agriculture products was a major political objective.

According to the 'market principle', occupation and industry matter in terms of their productivity. In this regard the situation started to change rapidly after 1989, but not consistently. As wage statistics show, services expanded, but these were first and foremost financial services. The banking and insurance sectors advanced considerably by utilizing all possible means to avoid wage regulation. Trade and catering also improved somewhat. In contrast, public services were left behind. Health and social services slightly improved their earnings position, but education and research stagnated, though they experienced some fluctuations, improving their position in the mid-1990s but then sliding backwards again to reach a low in 1998.

In the larger context of determining earnings, the relative importance of the two variables – occupation and industry – can be compared for 1970, 1996, and 2002, but with some limitations. The classification of industries in 1970 differs with respect to one item: the banking and insurance branch was not observed separately (since it was only a small section of state administration), so heavy industry (mining, metallurgy, and heavy machinery) was used in its stead, which was similarly privileged by the regime at that time as banking is privileged now, however only implicitly. Managers and professionals cannot be distinguished either in this historical dataset. The coding of occupations in the 1996 and 2002 surveys differs slightly, which underestimates the importance of this variable.¹²

In Table 2.4, the weight of disparities by industry – alone and additively to other variables – is presented, following the previous analysis in Tables 2.2 and 2.3. The industry variable alone (containing eight branches, with the category of trade and catering omitted) explains about five percent of the earnings variance in 1970 and 1996, but as much as eight percent in 2002. Wage shifts according to industry resulted in a slight increase in the significance of this dimension, mostly however owing to the huge and steadily increasing income supremacy of the banking and insurance sector.

¹² The fact that managers in 2002 have lower relative earnings than in 1996, while unskilled workers perform better, may also be caused by the much smaller sample in 2002, which failed to cover the two extreme categories to the same extent as in 1996.

Table 2.4. Regression analysis of ln gross earnings among employees by industry

Industry	Regression 1			Regression 2			Regression 3		
	1970	1996	2002	1970	1996	2002	1970	1996	2002
Manufacturing	0.044	0.121	0.073	0.020*	0.068	0.009*	0.018*	0.063	0.014*
Construction	0.210	0.195	0.145	0.170	0.124	0.071	0.061	0.040	-0.006*
Transport and communications	0.181	0.167	0.194	0.174	0.129	0.141	0.100	0.075	0.096
Health and welfare	0.048*	0.105	-0.057	-0.126	-0.121	-0.299	-0.091	-0.087	-0.248
Education	-0.006*	0.066	0.065	-0.194	-0.101	-0.127	-0.018*	-0.002*	-0.0160*
Administration and defence	-0.212	0.297	0.185	0.105	0.153	0.012*	0.021*	0.096	-0.034
Banking and insurance**	0.236	0.632	0.813	0.205	0.471	0.621	0.124	0.433	0.618
Intercept	7.465	8.987	9.411	7.751	9.309	9.809	7.895	9.267	9.840
Adjusted R ²	0.044	0.049	0.089	0.164	0.297	0.322	0.461	0.454	0.460

Source: Microcensus surveys.

All coefficients except those marked with * are significant on the level < 0.001.

Regression 1 Only the 'industry' variable entered.

Regression 2 Controlled for occupation.

Regression 3 Controlled for occupation, sex, age, and education.

Omitted categories: trade and catering, other occupation, 20-24, elementary education

** In 1970, heavy industry is considered instead of banking and insurance.

Table 2.5. Regression analysis of ln gross earnings among employees by occupational category

Occupational category	Regression 1			Regression 2			Regression 3		
	1970	1996	2002	1970	1996	2002	1970	1996	2002
Managers	}	0.383	0.221	}	0.458	0.237	}	0.459	.1810
Professionals	0.253	0.055*	-0.051*	0.376	0.205	0.084*	0.160	0.200	0.006*
Technicians	-0.106	-0.211	-0.174	-0.108	-0.082*	-0.129	-0.019	0.050*	-0.059*
Administrative	-0.064*	-0.375	-0.267	-0.086*	-0.327	-0.328	-0.059	-0.028*	-0.102
Sale	-0.368	-0.609	-0.603	-0.393	-0.473	-0.564	-0.139	-0.115	-0.311
Skilled	-0.131	-0.354	-0.390	-0.201	-0.283	-0.393	-0.151	-0.055*	-0.252
Unskilled	-0.339	-0.796	-0.784	-0.403	-0.686	-0.739	-0.096	-0.307	-0.473
Intercept	7.758	9.457	9.835	7.751	9.309	9.809	7.811	9.267	9.840
Adjusted R ²	0.112	0.261	0.235	0.164	0.297	0.322	0.460	0.454	0.460

Source: Microcensus surveys.

All coefficients except those marked with * are significant on the level < 0.001.

Regression 1 Only the 'occupation' variable entered.

Regression 2 Controlled for industry.

Regression 3 Controlled for industry, sex, age, and education.

Omitted categories: trade and catering, other occupation, 20-24, elementary education

} In 1970, categories of managers and professionals are in one category.

As Table 2.5 shows, occupational categories – though only very broadly conceived – are much more substantial for earnings than branches. After 1989, this dimension came to be of mounting importance owing to the appreciation of managerial and intellectual work under the market economy. On the other hand, the political privileges of manual work were eliminated and the rewards in this branch fell. Looking at average earnings (not presented in tables), we see that the gap between the earnings of unskilled workers and managers, which was 1:1.8 in 1970, widened to 1:3.4 in 1996, but in 2002 decreased to 1:3.0. This is also related to the switch from the industry to occupation variable observed in the two post-1989 surveys: while industry mattered less and occupation more in 1996, the opposite appeared in 2002.

After controlling for other variables, it is possible to observe the ‘net’ disparities. The most striking feature of the branch structure of earnings – the exceptional position of banking – is only moderately attenuated when occupation and human capital variables are controlled for. On the other hand, the heavy underestimation of health services is accentuated when the higher professional educational qualifications of this branch are taken into account. The overall variance explained remains remarkably stable across time, reaching 46% in all the years under observation. However, the determination of earnings has changed substantially: instead of sex and age, the variables of education, branch, and position matter in the occupational hierarchy. Earnings now seem to be determined more by subtle features that resist routine statistical investigation: special skills such as languages and computer skills, and personal skills such as flexibility and managerial talent.

2.3. From personal earnings to household income

While there are only few – or no – important problems are connected with defining earnings, it is not easy to capture all the diversity that we face when trying to find the ‘appropriate’ definition of household income or, better put, a household’s monetary standard of living. Families collect income from various sources, and there are several structures that mediate between personal earnings and the resulting household income level. Is the female spouse economically active and how much does she earn? Are there children in the household, and if so, how many, and how old are they? How much does the state take from and give back to the household? And finally, what income indicator best expresses a household’s standard of living?

Of course, intermediary structures are more or less interlinked and related to the life cycle of the family. While the age of a person matters now much less than before in the structure of earnings, it certainly retains its effect on household income, and does so as a result of various circumstances. Even if we focus just on employee households headed by a person of prime age (25–54) there is still considerable diversity. Moreover, household income has to be adjusted by household size and composition – a task that is never solved satisfactorily with one simple indicator. Here we must tackle a complex issue that has various constituent parts: household size and composition, the economic activity of women, the earnings of couples, additional income sources, the tax burden, and transfer income.

Scheme 2.2. Distribution of family income under the command and the market economy (stylised)

Characteristic	Command economy	Market economy
<i>Pillars of income distribution</i>	mandatory employment even of women, universal benefits, predetermined life cycle	no mandatory employment, targeted benefits, rather undetermined life cycle
<i>Main factors of inequality</i>	number of active earners and dependent children	disparities in individual earnings
<i>Family expenditures</i>	mostly on food and other individualised items, low shared costs (housing)	high shared costs (housing, durable goods, financial payments)
<i>Economies of scale</i>	rather low	rather high
<i>Dominant income indicator</i>	per capita income (or steep equivalence scale)	household disposable income (or flat equivalence scale)
<i>Correlation of disposable household income with per capita income</i>	rather weak	rather strong
<i>Correlation of adjusted income with household head's earnings</i>	rather weak	rather strong

Like Scheme 2.1, Scheme 2.2 provides a snapshot glimpse of the changed context and factors of household income distribution. The differences imply the diminishing effect of the life cycle and a household's 'demography' in favour of market-dependent income disparities. Important changes also occurred in household budgets and the related 'appropriate' indication of a household's standard of living. Instead of budgets overburdened with basic – not shared – expenditures, implying a steep equivalence scale, we have budgets with much higher expenditures on shared items, implying therefore a much flatter equivalence scale, as in Western countries.

2.3.1. Overall changes

After 1989, important changes occurred in household size and composition. According to Microcensus surveys, the average number of members in employee households decreased somewhat between 1988 and 2002 (from 3.3 to 3.0), owing to the smaller number of children (from 1.25 to 0.95). While the share of economically active members remained the same, the number and share of 'other members' has increased, as many spouses of household heads left the labour market. Although there are far fewer employee households under the new economic regime, and therefore they could be expected to be more homogenous in size and composition, in fact they have become more varied, especially with regard to the number of children.

Surprisingly, the composition of income sources in a household has changed much less (Table 2.6, first section). While the share of the household head's earnings has increased somewhat, the share of the spouse's earnings has remained almost stable. The most striking change was therefore the reduction of family social benefits. The 'other' income sources (from business and property) remain negligible parts of employee household income. Important changes have affected the financial burden of households. While personal income tax has been reduced, the joint burden of households increased by about five percentage points as a result of social and health insurance contributions. Since transfer income has decreased by the same relative amount, the effective tax rate rose by nine percentage points to reach 15% of gross household income.¹³

Table 2.6. Shares and inequality of income sources in employee households

Income source	1. Income source in % gross income			2. Inequality of the income source (Gini)			3. Share of income source in total inequality		
	1988	1996	2002	1988	1996	2002	1988	1996	2002
<i>Total earned</i>	86.2	89.2	89.4	0.256	0.300	0.312	1.008	1.261	1.287
– earnings head	55.9	56.3	59.5	0.170	0.258	0.268	0.366	0.499	0.560
– earnings spouse	22.7	22.7	21.6	0.476	0.581	0.636	0.443	0.461	0.482
– earnings others	7.6	10.3	8.3	0.897	0.847	0.881	0.199	0.301	0.245
<i>Total transfer</i>	12.0	8.3	8.7	0.465	0.606	0.638	0.170	0.002	0.016
– social benefits	9.4	5.0	4.9	0.466	0.619	0.662	0.132	-0.016	-0.011
– pension benefits	2.6	3.3	3.8	0.904	0.876	0.871	0.038	0.018	0.027
<i>Other income</i>	1.7	2.4	1.9	0.880	0.930	0.909	0.034	0.069	0.037
Total gross income	100.0	100.0	100.0	0.199	0.266	0.274	1.212	1.332	1.341
<i>Tax and insurance</i>	15.4	20.0	20.2	0.270	0.356	0.374	-0.212	-0.332	-0.341
– income tax	15.4	9.2	9.4	0.270	0.439	0.463	-0.212	-0.186	-0.191
– insurance	–	10.8	10.8	–	0.295	0.310	–	-0.146	-0.150
Total net income	84.6	79.9	79.8	0.194	0.249	0.255	1.000	1.000	1.000
Total tax/transfer	-6.0	-15.1	-15.2	-1.105	-0.595	-0.622	-0.042	-0.330	-0.325

Source: Microcensus surveys.

For the decomposition of the Gini coefficient by income source, Stata module *Descogini* designed by A. Lopez-Feldman) was used. The analysis was kindly made by Michal Franta, a graduate student at CERGE/EI in Prague.

¹³ Under the command economy, redistribution was completely opaque and only wage tax was paid by employees, becoming almost flat during that time [Večerník 1986]. This fact allowed me to adjust earnings variables to make them comparable – the gross wage instead of the net wage that is available from the Microcensus 1989 survey. The new system started to work in 1993 when personal income tax and social and health insurance contributions were introduced, the latter contribution divided between employees and employers.

Inequality in primary income sources rose considerably after 1989 and continued to rise slightly also after 1996 (Table 2.6, second section). The most striking increase in inequality was witnessed in the earnings of the household head and his/her spouse. Family social benefits have also become more unequally distributed since the mid-1990s, following the targeting introduced by social reforms. There was a considerable increase in inequality in personal income tax. All combined, the resulting household income differentiation has risen by about one-third since 1988. And while inequality in gross and net income was almost the same in 1988 (due to the universal social benefits and flat personal income tax), by 2002 gross household income inequality clearly surpassed disposable income inequality.

Decomposition analysis is used to examine how individual income sources contribute to resulting income inequality. This method, which was introduced by Lerman and Yitzhaki [1985] and Stark et al. [1986], makes it possible to determine the impact of a particular income source on total net income inequality as represented by the Gini coefficient. A more advanced method makes it possible to distinguish the effect of the changing structure (characteristics effect) and their relationships (coefficient effect). Here we can only assume that the change mostly occurred as a result of the coefficient effect, as Ira N. Gang and Myeong-Su Yun [2002] found for changes in male wage inequality in East Germany, applying and developing the Blinder-Oaxaca method.

The importance of the disparities between the earnings of a husband and wife for inequality of household income has strengthened considerably since 1990 (Table 2.6, third section). While under the command regime, a wife's earnings were the more important of the two (owing to the differences stemming from her employment), in the market economy the male head's earnings became more important (due to larger wage disparities). Transfer income contributed considerably to inequality under the command regime, but it has almost no effect now, despite the better targeting of family social benefits. In contrast, the financial burden matters much more now than before 1990: its share in resulting income inequality increased from one-fifth to one-third. The picture in 1996 and 2002 is quite different from what it was in 1988, as more inequalities are produced by the labour market and the state intervenes more to equalise them.

2.3.2. Economic activity of women and earnings of couples

The income situation of a household is considerably affected by the number and age of children. Important changes occurred in the area. Due to various circumstances, developments after 1989 led to a considerable decline in fertility rates. The average number of dependent children in employee families with a head in the prime age group decreased by about one-quarter between 1988 and 2002, while the percentage of childless households increased from 15% to 25%. Additional information on women's economic and reproductive behaviour is presented by age category in Table 2.7. It must be noted that the data refer to dependent children still living in the households surveyed.

Table 2.7. Economic activity and children in employee households (%)

Age category of spouse	Economic activity of spouse			Have at least one dependent child			If there are children, average number of children		
	1988	1996	2002	1988	1996	2002	1988	1996	2002
19–24	57.6	38.1	43.8	82.6	79.4	47.2	1.47	1.31	1.20
25–29	70.5	54.5	53.7	93.2	91.7	71.1	1.80	1.66	1.56
30–34	85.2	73.7	52.1	96.8	95.9	94.2	2.07	1.94	1.85
35–39	93.2	86.7	66.7	96.1	95.2	94.4	2.05	2.00	2.00
40–44	94.9	90.4	85.7	84.3	86.8	92.0	1.68	1.76	1.89
45–49	94.5	88.3	85.6	50.4	57.3	48.5	1.36	1.50	1.47
50–54	91.7	79.7	85.9	22.9	31.0	33.3	1.18	1.28	1.32

Source: Microcensus surveys.

Economic activity has decreased considerably for women up to 34 years of age. Unexpectedly, the same is true of their ‘family burden’ (the number of dependent children and their needs relative to their ages), especially with regard to the category up to 24 years of age, and even the category aged 25–29. Children arrive later in the life cycle; about a five-year deferral in childbearing was recorded between 1989 and 2002.¹⁴ The data on the presence and number of children in families of middle-aged women show both a shift in the timing of births and longer schooling (or other dependency status) of teenage students.

Yet another change occurred during this period. While in 1988 the number of children a woman had was negatively associated with her level of education, no such correlation was found in the two following observations. On the other hand, the economic activity of women is now significantly correlated with education (when a woman’s age or life-cycle period is controlled for), unlike the situation under the command economy, with mandatory full-employment and where no such differences could occur. Obviously education matters in this as the main factor in unequal opportunities in the labour market.

The earnings of couples can be surveyed from a sub-sample of households with two employees. The gap between the contributions made by husbands and wives to their joint household budgets decreased by 15 percentage points between 1988 and 2002 (measured as the percentage of the wife’s wage to her husband’s wage; in 2002 it was almost 80%). Part of this trend is caused by the increased social homogeneity of employee households in the market regime. However, the association between the two earnings strengthened after 1989: Pearson coefficient of correlation (0.17 in 1988) increased from 0.29 in 1996 to 0.37 in 2002. While in 1988 a wife earned more than her husband in only

¹⁴ Although the age of women at the time of their first child shifted considerably, the Czech Republic still has the lowest figure in the EU, according to demographic data (26 years as opposed to 27 in Western Europe, Hungary, and Poland).

7 % of couples by 1996 the figure was already 16% and by 2002 it was 17%. The lower a man's education level, the greater the probability his wife had higher earnings.

Table 2.8. Returns to education in employee couples: Mincerian equations, dependent variable \ln gross earnings

Variable	Earnings of male spouse			Earnings of female spouse		
	1988	1996	2002	1988	1996	2002
Years of school of male spouse	0.033	0.081	0.068	0.001*	0.030	0.025
Years of school of female spouse	-0.001*	0.008*	0.025	0.044	0.084	0.091
Experience of male spouse	-0.017*	0.001*	-0.010*	0.035	0.004*	-0.003*
Experience of female spouse	-0.001*	0.000*	0.008*	0.064	0.009*	0.008
Intercept	7.671	8.318	8.661	6.640	7.437	7.837
Adjusted R ²	0.097	0.231	0.219	0.223	0.228	0.208
Adjusted R ^{2**}	0.097	0.252	0.252	0.223	0.239	0.229

Source: Microcensus surveys.

Employees' households with head in prime age and with two active persons of the main couple.

All coefficients except those marked with * are significant on the level < 0.001

** Marital partner's earning was added to explanatory variables.

In order to estimate the joint effect of a couple's human capital the partner's education was added to a standard Mincerian equation (Table 2.8). While in 1988 the effect of a partner's education on a person's earnings was insignificant, in 1996 the education of a husband seemed to 'increase' his spouse's earnings by 3% and in 2002 by 2.5%. A wife's earnings exhibited about the same effect on her husband's earnings in 2002. In addition, a person's earnings are also positively affected by the amount of their partner's earnings, an effect that again increases over time, as the last row in Table 8 shows. This may be caused by both increasing homogamy and the joint decision-making of couples.

2.3.3. Sources of household incomes and their inequality

Table 2.9 shows the associations between individual income sources and the resulting standard of living observed using various adjustments of household income. The correlations clearly decrease from the indicator involving full economies of scale to the indicator involving zero economies of scale. The EU indicator is located somewhere in the middle, and it could be used for a comparison over time, but with the cautionary note that it underestimates scale economies in 1988 and overestimates them in 2002.

Table 2.9. Correlations of income sources with household income in employee households by various measurements (Pearson coefficients)

Income	1988					2002				
Source	Total dispos- -able	Square root	EU indi- -cator	Mini- -mum in- -come	Per -capita	Total dispos- -able	Square root	EU indi- -cator	Mini- -mum in- -come	Per -capita
	e=0	e=0.50	e=0.59	e=0.84	e=1	e=0	e=0.50	e=0.59	e=0.77	e=1
<i>Total earned</i>	0.92	0.84	0.72	0.48	0.37	0.81	0.68	0.60	0.53	0.42
– earnings head	0.56	0.55	0.53	0.36	0.28	0.59	0.58	0.56	0.52	0.46
– earnings partner	0.62	0.56	0.48	0.29	0.20	0.55	0.41	0.35	0.27	0.18
– earnings others	0.53	0.47	0.34	0.26	0.21	0.43	0.29	0.21	0.18	0.12
<i>Total transfer</i>	0.25	-0.04	-0.12	-0.27	-0.33	0.01	-0.11	-0.14	-0.16	-0.19
– social benefits	0.23	-0.13	-0.20	-0.40	-0.47	-0.07	-0.21	-0.22	-0.24	-0.27
– pension benefits	0.10	0.09	0.05	0.05	0.04	0.06	0.02	-0.01	-0.01	-0.02
other income	0.14	0.12	0.12	0.08	0.06	0.53	0.62	0.65	0.63	0.58
Total gross	0.99	0.86	0.71	0.44	0.31	0.98	0.88	0.81	0.73	0.61
<i>Tax and insurance</i>	0.74	0.79	0.70	0.56	0.48	0.78	0.70	0.64	0.58	0.49
Total net income	1.00	0.82	0.68	0.39	0.25	1.00	0.89	0.82	0.74	0.61

Source: Microcensus surveys.

For income indicators see the Appendix.

e = elasticity coefficient of adjustment of disposable household income to the size of household.

In 2002, there is stronger association between the total disposable household income (whether gross or net) and adjusted income than in 1988. This means that the adjustment within households became less important. The same is true for the correlation between earned income and the adjusted indicator. Only little change over time in the association between adjusted household income and family social benefits is also observed, in spite of the fact that they were rescheduled towards better targeting in reforms introduced in the mid-1990s. In contrast, there is a decrease in the association of the household income level with tax and the contribution burden, in spite of the fact that personal income tax has been rescheduled towards much greater progressiveness.

Unlike the quite considerable change that occurred over time in income packaging (as shown in Table 2.6), the resulting change in determination of adjusted income looks much smaller. The change would, however, appear to be much stronger if also the shift in the ‘appropriate’ income indicator were taken into account. When comparing adjustment by the living minimum in 1988 (which is more adequate to the situation at that time) and the EU adjustment in 2002, the strength of the association

with total disposable income appears to double and the correlation between earned income and adjusted income looks considerably stronger. Since the (negative) correlation between family social benefits and adjusted income is smaller, while the (positive) correlation between the tax burden and adjusted income is higher, the resulting correlation regarding the net redistribution effect is the same.

Table 2.10. Regression analysis of adjusted household income in employee households by basic characteristics: dependent variable *ln* household equivalent income by EU indicator

Variable	Regression 1			Regression 2		
	1988	1996	2002	1988	1996	2002
Earnings of the head	–	–	–	0.527	0.607	0.610
Economic activity of the spouse	0.246	0.239	0.211	0.241	0.250	0.217
Other economically active person(s)	0.089	0.117	0.115	0.098	0.145	0.076
Age of the head	0.189	0.055*	0.017*	–	–	–
Children	-0.369	-0.311	-0.393	-0.489	-0.335	-0.397
Years of school – head	-0.051*	0.301	0.276	–	–	–
Years of school – spouse	0.042*	0.196	0.218	0.008*	0.173	0.167
<i>Adjusted R</i> ²	0.340	0.414	0.432	0.583	0.682	0.711

Source: *Microcensus surveys*.

Note: Only family households with complete couple.

All coefficients except those marked with * are significant on the level < 0.001

EU indicator = equivalence scale is computed so that, the first adult is calculated as 1.0, each additional adult as 0.5, and each child up to 13 as 0.3.

Returning to the stylised facts presented in Scheme 2.2, the assumptions about the transition to a market economy were at least partly fulfilled (Table 2.10):

- while the weight of the household head's earnings in the household's standard of living has increased, the weight of the economic activity of the female spouse decreased;
- the age of the household head (as a proxy of the life cycle) went from being a major explanatory variable to a negligible one;
- the importance of schooling experienced the opposite tendency, making a man's (and partly also a woman's) education among the leading factors in the determining the household's resulting standard of living;

- the importance of the number of children in the household diminished somewhat in 1996 in comparison with 1988, but increased again in 2002 (due to the weakening effect of family allowances in comparison with rising earned income, not associated with the 'family burden');
- all in all, there has been an increase in the amount of variance that is explained by the basic characteristics of the household; the rising importance of education came to outweigh the effect of the life cycle, and the importance of labour market participation and 'family burden' diminished only somewhat, when at all.¹⁵

With regard to the most important correlate of household income, we refer to Gottschalk and Danziger [2005: 253], who found that in the United States, in the period between 1975 and 2002, 'male wage inequality and inequality of family income closely mirror each other'. A similar calculation for the 1988–1996 transition period in the Czech Republic shows that while inequality of earnings of household heads (measured likewise with a P90/P10 ratio) increased by 40%, household earnings by 34%, and household income (adjusted likewise with a 'minimum income' scale) only by 23%, in the 1996–2002 period all the three types of income developed in the same way, with an increase in inequality for all three by 4–6%. The rule about the parallel development of personal and household incomes also seems to be valid for post-transition Czech Republic.

2.4. Conclusion

The aim of this chapter was to provide a comprehensive picture of the determination of earnings and household income and the relationships between the two. Pre-1990 Czechoslovakia was characterised by the equalisation of earnings and, within remaining disparities, by the predominance of individuals' demographic characteristics (gender and age) over their market abilities (skills and occupation) in determining earnings levels. Household income was largely dependent on the number of active earners in a household and the life cycle, and the household budget was overburdened by expenditures on basic needs. The appropriate adjustment of household income would therefore have to apply a steep equivalence scale.

After 1989, the reform process began rapidly to transform the established earnings and income structures. The overall range of inequality in earnings has increased, as have, in particular, returns to education. On the other hand, the gender gap has diminished and the age profile of earnings has become almost flat. In addition to education, occupation also matters much more, owing to the appreciation of managerial and intellectual work, as does industry, and the wage structure by branch has changed considerably. The effect of the life cycle has almost disappeared and the wider disparities in individual earnings have been able to offset the contribution of additional active members in upper income categories.

Packaging of household income is quite different now from what it was 15 years ago. More inequalities are produced by the labour market and the state intervenes more to equalise them. However, the composition of income sources in household income has changed much less than the

¹⁵ After including education, the effects of such variables as occupation and industry in the process leading from a person's earnings to a family's monetary standard of living fell almost to zero. They are therefore not presented in the analyses.

composition of the economic status of members in households. From the opposite perspective, the new situation in earnings opportunities has given families more decision-making freedom regarding their labour market participation. The former two-earnings model has given way somewhat in favour of a dominant role being taken up by the household head's earnings.

Taken all together, it was much more than just quantitative shifts that occurred. While it was not exactly a revolution that turned things upside down, there were nonetheless more than just simply evolutionary shifts: a systemic change occurred on one principal axis – the much greater role of education in the entire process. Its importance in the determination of earnings doubled and increased by even more in the determination of adjusted household income, despite the fact that the number of children a person has is no longer dependent on education levels. Nevertheless, the role of the 'family burden' in income packaging remained greater than expected. In addition, after a decrease in the effect of children on household income, it increased again since 1996. This, too, is related to the worsening position of children in income distribution.

Appendix: Data sources, definitions and adjustment of household income

Data on earnings and household income differ in terms of how the data were collected, the size and representation of the sample populations, the unit of observation, and the range of variables.

Regarding *data on earnings*, the most obvious data source is wage statistics based on surveys conducted among firms. The Czech Statistical Office (CSO hereafter) has conducted wage surveys, but their coverage has changed over time. Between 1989 and 1992, only companies with 100 or more employees were included; in 1992 the survey began including firms with more than 25 employees and since 1997 it has included firms with more than 20 employees. Banking, insurance and public organisations were included without any size qualification. Whereas between 1993 and 1995, information on wage distribution was estimated by combining various sources, in 1996 and 1997 wage surveys were again conducted, as a sample survey for units with 1–999 employees together with census of all larger organisations, following the recommendations of Eurostat. A database called the 'Information System on the Average Wage', which is administered by Trexima, a private company, for the Ministry of Labour and Social Affairs, has existed since 1998 and is used instead of wage surveys for the period since then.

Unfortunately, none of the wage statistics make reference to *household income*. For the analysis at hand there is only one useful source: the household income surveys (Microcensus), collected periodically by the CSO on large samples. These data are adjusted by the CSO for respondents who did not give an answer and in order to make them fully representative of the entire population. In this analysis either the individual or household perspective can be used, or the two can be combined. The only disadvantage is that the surveys differ somewhat. While before 1990 information on wages in these surveys was provided by employers, since then income has been reported by respondents. Income amounts are however also corrected by the CSO using various other sources of information. Before 1996 there are no data available for the variables of occupation and industry. Among the surveys conducted after 1989, the 1992 Microcensus should be omitted from analyses because only final household variables were adjusted, and that makes it difficult to match household and personal income. Characteristics of Microcensus surveys are the following:

Characteristic	1988	1996	2002
Targeted percentage of households	2	1	0.25
Survey sample (N of households)	69 912	27 314	7 678
Non-response rate in percentage of households	4.2	23.8	28.2
<i>Disposable income per capita (thousands CZK yearly) according to:</i>			
- income surveys ^{*)}	22.3	63.5	92.9
- aggregate statistics ^{**)}	25.9	83.5	122.4
Coverage of income surveys in comparison to aggregate statistics	86.1	76.0	75.9

*) Income per capita is weighted by persons.

**) Data of the *Balance of Incomes and Expenditures of the Population* in 1988 and *National Accounts* in 1996 and 2002.

The industry and occupation of economically active persons are not included in any of the surveys before 1996, with the exception of the 1970 Microcensus. This survey was a true Micro-Census, that is, a two-percent sample of the 1970 Population Census, in which basic information about people's economic activity was required and was therefore also fortunately kept in the sample. Unfortunately, only the personal dataset resisted the ravages of time (0.25% of economically active persons), but it includes some basic household variables. In any case, the 1970 data are used in this analysis only owing to the lack of relevant variables in the 1989 Microcensus. Due to very slow pace of change under the communist regime, we can consider it as a proxy for the situation before 1990. Otherwise, changes before 1989 are not involved in this analysis [for this see Večerník 1986, 1991].

The dependent variable in this analysis is earnings defined as all forms of wage and salary incomes from dependent labour, gross of employee taxes and contributions, but net of employer taxes and contributions. This definition of earnings conforms to the Luxembourg Income Study (LIS) definition used in Smeeding and Coder [1993], which is then suitable for cross-national comparison. For the sake of comparability with wage statistics and comparison over time, the analysis focuses on the earnings of the full-time labour force by excluding self-employed and farmers (who are not included in wage surveys either). With regard to household income, the analysis focuses on employee households with a head of household in the prime age category (25–54). Some of the analyses focus also on two active earners.

Unlike earnings, a household's living standards measured in monetary terms is a 'social construct' rather than an established fact. The result depends largely on the income adjustment chosen, the selection of which is not entirely free of the rule of thumb. Basically, the choices are income per household, income per capita, or – at best – something 'in between', which means household income equalised in some way. The large diversity of equivalence scales is exhibited in the LIS comparative analysis [Buhman et al. 1988], where the continuum of possibilities is expressed by the elasticity coefficient in the formula:

$$W = D / S^e,$$

where W = economic well-being, D = total disposable income, S = size of household and exponent e = elasticity coefficient. The elasticity coefficient varies between 0 (full-scale economies) and 1 (zero scale economies).

In 'communist' statistics, the only indicator used was income per capita – no economies of scale were assumed. This was endorsed by the structure of consumption, where costs of individually 'divisible items' such as food and clothing were high, while expenditures on housing and common financial payments were low. By contrast, in 'Western' statistics the total disposable household income served for a long time as a very frequent indicator, until tax statistics came to be used as the main source of data. However, since the 1980s income surveys have been used, and authors refer to income adjusted to household size and composition. Here it is necessary to stress the importance of the LIS as an outstanding institution that develops methods, gathers surveys, and provides researchers world-wide with standardised data, thus fuelling comparative research on income, poverty, and related policies.

There are numerous variants of measuring instruments which reflect the situations in individual countries at various periods of their development and that can be located on the long continuum of the coefficient e . The use and explanatory power of individual income indicators is not an artefact. Income indicators should correspond to the way in which household income is collected and spent, according to the price structure and expenditure constraints. However, adopting indicators that correspond completely to a current, local situation would render it impossible to make comparisons over time and across countries. Therefore, a compromise between universality and adequacy is always necessary.

Comparing the changes in the Czech Republic since 1990, it can be said that income 'per capita' is less and less appropriate as expenditures on 'individualised' items (food and beverages, clothing and footwear) decreased from 41% to 28% between 1989 and 2003 in employee households budgets. Using comparative figures from 1999, the share of these expenditures was 24% in the EU-15 and in the Czech Republic 30 percent; expenditures on housing and energy were 21% in the EU-15 and 17% in the Czech Republic [Eurostat 2002]. One of the reasons for this is that rent regulation still applies to about one-third of all apartments, formerly state-owned but now municipal and private property, in the country.

Three adjusted (equivalised) income indicators with elasticity located between per household income and per capita income are used here:

1. The adjustment of the size of household by square root where elasticity coefficient is 0.5:

$$W = D / (\text{sqrt } S).$$

2. The EU indicator, where equivalent unit is computed so that the first adult is counted as 1.0, each additional adult as 0.5, and each child up to 13 as 0.3; the elasticity coefficient is somewhat higher than the previous one (0.59):

$$W = D / (S/\text{eqEU}).$$

3. The adjustment that uses the scale implicit to the official subsistence minimum income ((living minimum amounts in the Czech Republic) – this scale is quite steep being shaped conformingly to family budget of low-income categories with a larger share of ‘individualised’ items. Here, the elasticity coefficient is the highest but still quite far from per capita adjustment:

$$W = D / (S/eqLM).$$

The first adjustment is frequently used in OECD analyses on income redistribution [Förster 2004]. The second adjustment is applied in the so-called Laeken indicators of poverty widely used by the Eurostat for comparison of EU countries [Atkinson et al. 2002]. The third type of adjustment is not frequent as it is strictly national but it was applied, for instance, by Gottschalk and Danziger [2005].

While the first two adjustments are invariable, the third elasticity coefficient diminished somewhat between 1988 and 2002. The reason is that it is not directly computed but derived from living minimum amount which is valorised not as a summary indicator for a household but by multiplying its individual items (amounts for each person and the shared household costs) and summing them afterwards.

3. The Gender Wage Gap and Its Determinants

Martina Mysíková

This study examines the gender wage gap in the Czech Republic. The most obvious gender inequality in the labour market lies in the differences in participation levels, employment rates, wages, and occupational segregation. These inequalities need to be detected and eliminated in order to encourage women to enter the labour market and use their skills and potential and to increase the effectivity and flexibility of the labour market. The segregation often has negative consequences for women, because it influences their position and income. There can be causal relationship between the gender wage gap and women's labour participation: the lower women's wages are, the more women are discouraged from participation; lower participation can cause a decrease in women's wages and thus create a greater gender wage gap.

The raw wage gap, that is, the difference between men's and women's mean wages, represents the actual observed disparity, but it provides little evidence about the real position of women in the labour market. Some sources of part of the raw gap are gender differences in skills, education, and other endowment characteristics.¹⁶ Typically, women and men differ in terms of their human capital characteristics. They are concentrated in different occupations and are often remunerated differently. Therefore, it is worth examining the gender wage gap in more detail.

Both empirical evidence and theory¹⁷ have demonstrated that women's labour participation is consistently lower than men's participation. If participation in the labour market is positively correlated with potential wages, low-wage women, that is, women with low educational levels, few skills, or experience, etc., are likely to choose to remain outside the labour market. In such a case, women with relatively high-wage characteristics would prevail in the labour market, and therefore, the gender wage gap would be lower. In other words, when low-wage women enter the labour market the wage gap increases. Analyses of the gender wage gap are therefore confronted with a selection problem, because working individuals do not form a random sub-group but rather differ systematically from non-participating individuals and because they are positively selected into employment.

The aim of this study is to control the gender wage gap for the selection bias using the data for the Czech Republic. The observed impact of individual and job characteristics on women's and men's wages according to the selection-corrected method can differ from findings obtained from commonly used Mincerian equations. This study also reveals the structure of the gender wage gap.

16 The adjusted wage gap, which controls for different individual and job characteristics, is the difference between the raw wage gap and the endowment effect.

17 For an overview of literature, see Mysíková [2007].

Generally, we can separate the endowment effect, which stems from different individual and job characteristics, and the remuneration effect, which is caused by different remuneration of these characteristics. Since the selection-corrected model is used, we can distinguish also the selection effect, which refers to the potential gender wage gap arising when non-participating individuals begin to work.

It is possible to assume that the potential gender wage gap is generally higher than the observed one, since it is mainly low-wage women that stay out of the labour force. For this reason, the average characteristics of working men and women should be similar, and therefore the endowment effect should prove to be very small. This study offers one of the first gender wage decompositions in the Czech Republic that controls for selectivity. Moreover, its contribution is the use of a data set from the EU-SILC (European Union – Statistics on Income and Living Conditions) new household survey.

Many empirical studies of gender wage disparities are methodologically based on the human capital earnings function [e.g. Mincer and Polachek 1974; Filer 1985; Eckstein and Wolpin 1989; Wright and Ermisch 1991, etc.]. For reasons discussed above, this direction of analysis is not pursued here and instead the focus is on the selection bias. Many analyses of the selection bias and various correction methodologies have emerged since Heckman's seminal study [1979]. Most of the studies that confirmed the importance of selection were made on US data [e.g. Neal 2004; Blau and Kahn 2006; Mulligan and Rubinstein 2005, etc.], and only a few studies on this problem have emerged in the European environment: Blundell et al. [2003] analysed the impact of non-random selection into employment on wage distribution in the UK; Albrecht et al. [2004] used quantile regressions to estimate the selection-corrected gender wage gap in the Netherlands; and Olivetti and Petrongolo [2007] showed the negative correlation between the gender wage gap and the employment gap in the pre-enlargement EU and estimated the potential wage gaps in particular countries using several imputation methods.

The studies that relate most closely to the study at hand are by Beblo et al. [2003] and the European Commission [2003]. Both use Heckman's [1979] and Lewbel's [2005] selection models and ECHP (European Community Household Panel) data to estimate the selection-corrected wage gap. Beblo et al. [2003] applied the Heckman procedure on the data from Germany and showed that the selection effect is positive (more than 10%). This indicates that in the absence of selection the potential wage gap would be lower than the gap actually observed. Conversely, the European Commission's findings [2003] using the Heckman model argue that the selection effect is negative (more than 40%) in the EU as a whole, which means that the entry of non-working individuals into the labour market would cause a substantial increase in the gender wage gap. The most thorough studies on the gender wage gap in the Czech Republic are by Jurajda [2003, 2005] and are concerned mainly with the segregation effects.

This study uses the Heckman procedure to correct the selection bias in the approach used by the European Commission the European Commission [2003] approach. It uses data from a survey of Czech households, which contains both individual and job characteristics, allowing us to estimate wage equations, and other household characteristics to estimate the participation equations. The earnings and participation functions are estimated separately and consistently for men and women.

Therefore, the well-known Oaxaca-Blinder decomposition method [Oaxaca and Ransom 1994; Blinder 1973] was used to decompose the gender wage gap, extended by separating the selection effect. The Oaxaca-Blinder decomposition method is sometimes criticised for considering the male wage structure a non-discriminating structure. Therefore, the less extreme Cotton [1988] decomposition method is introduced and added to the Heckman case for comparison. This method determines the weighted non-discriminating wage structure, which is somewhere in between the male and female wage structures.

3.1 Methodology and data

This section describes the methodology of selection-corrected wage estimates and the methodology of wage gap decomposition.

3.1.1. Model

The existing literature offers many ways of examining the factors that influence the gender wage gap [Becker 1964; Mincer, Polachek 1974; Eckstein, Wolpin 1989; Wright, Ermisch 1991 etc.]. The easiest approach involves using a gender dummy variable in one wage equation for both men and women. There is a basic assumption that men's and women's wages differ by a fixed amount and that the human capital and other explanatory variables have the same influence on men's and women's wages. Unfortunately, this assumption cannot be considered sufficient. Given that one of the objectives of this study is to decompose the wage gap, the model uses two wage equations separately for men and women.

Most of the previous studies have ignored sample selection bias. It occurs when working individuals do not form a random sub-sample of the population but differ systematically from non-participating individuals [European Commission 2003]. Ignoring this methodological problem the male and the female wage equations are defined here as:

$$\ln W_i^J = X_i^J \beta^J + \varepsilon_i^J, J = M, F \quad (1)$$

where i represents the individual in the sample, J denotes the sex. The endogenous variable is a logarithmic hourly gross wage, $\ln W_i$, vector X_i includes all explanatory variables, ε_i is a residuum with zero mean and constant variance σ^2 . The model, specified by equation (1), is often estimated using the OLS method.¹⁸ This method provides consistent estimates of coefficients provided that $E[\varepsilon_i | X_i, l_i^* > 0] = 0$ where l_i^* determines the latent index variable, which is positive when the individual i is employed and non-positive in all other cases [Judge et al. 1988].

The sample selection can violate this precondition. By its very definition the sample of employed people excludes people who are not participating in the labour market and thus the latter cannot be randomly selected. The model excludes, for example, individuals who have decided not to participate in the labour market because their potential wage would be lower than their non-earned income. If this decision about participation is correlated with the wage function, the expected value of the

¹⁸ Ordinary least squares.

residuum may not equal zero.¹⁹ A model that takes into consideration the participation decision [Heckman 1979] is used to correct the sample selection bias.

The variable latent index l_i^* represents the propensity of the i -th individual to his participation in the labour market.²⁰ It is assumed that the latent variable l_i^* is a linear function of the variables influencing the participation:

$$l_i^* = V_i\gamma + u_i \quad (2)$$

where $V_i\gamma$ represents the vector of variables that should differ from those included in the wage equation and u_i is a residuum with zero mean and constant variance σ^2 .

The estimated wage function under the selection-corrected Heckman²¹ model is:

$$\ln W_i = X_i\beta + \rho\sigma_\varepsilon\lambda_i + \varepsilon_i^*, \text{ where } \lambda_i = \frac{\phi(V_i\gamma)}{\Phi(V_i\gamma)}. \quad (3)$$

ϕ and Φ means standard normal density and distribution functions, respectively. ρ is the correlation coefficient of the wage and participation equations. The value λ_i is generally not known but consistent estimate $\hat{\lambda}_i$ can be obtained from a probit estimate of the probability that the individual is working. Subsequently, the variable λ_i is computed for each individual separately and added to the regressors of $\ln W_i$, as shown in equation (3). Thereafter, the OLS method is consistent.

3.1.2. Decomposition

Using the coefficients estimated from the female and the male wage equations, the raw (unadjusted) gender wage gap can be decomposed into several effects. The best-known decomposition method was suggested by Oaxaca and Blinder [Oaxaca and Ransom 1994; Blinder 1973], which was developed to be used with cross-section data.²² The raw gender wage gap is defined as:

$$\begin{aligned} \overline{\ln W^M} - \overline{\ln W^F} &= (\overline{\ln W^M} - \overline{\ln W^{1F}}) + (\overline{\ln W^{1F}} - \overline{\ln W^F}) \\ &= (\hat{\beta}^M \overline{X^M} - \hat{\beta}^M \overline{X^F}) + (\hat{\beta}^M \overline{X^F} - \hat{\beta}^F \overline{X^F}) \\ &= \underbrace{\hat{\beta}^M (\overline{X^M} - \overline{X^F})}_{\text{endowment effect}} + \underbrace{\overline{X^F} (\hat{\beta}^M - \hat{\beta}^F)}_{\text{remuneration effect}}, \end{aligned} \quad (4)$$

where the expressions with the bar signify the mean values.

19 For example if work experience positively influences participation as well as wage levels, the wage regression coefficients will probably overvalue the returns to experience.

20 The latent variable can be also interpreted as a measure of the propensity for an individual to be included in the wage sample.

21 For more details, see Heckman [1979].

22 The Oaxaca-Blinder method decomposes the wage gap at the mean. Another method, developed by Juhn, Murphy and Pierce [1993], takes into account the wage differential by quantiles of wage distribution. This decomposition method was applied mainly in comparisons over time or across countries.

The first term (the endowment effect) on the right side of equation (4) calculates the extent to which the average male wage would exceed the average hypothetical female wage if the characteristics of women were remunerated in the same way as male characteristics are (i.e. if there was no discrimination). This part of the gender wage gap is caused by different male and female individual and job characteristics and reflects the differences in their productivity. The second term shows the disparity between the hypothetical male wage and the average observed female wage had the average male characteristics been the same as the average female characteristics (the remuneration effect). If men and women had the same average characteristics, the wage gap in an unadjusted form would be given only by the remuneration effect, often called a measure of discrimination.

To correct the sample selection bias it is necessary to add another component to the decomposition equation (4) – the selection effect. The selection effect reveals how the gender wage gap would change if the non-participating individuals started working. Thus, equation (4) is:

$$\overline{\ln W^M} - \overline{\ln W^F} = \underbrace{\widehat{\beta}^M (\overline{X^M} - \overline{X^F})}_{\text{endowment effect}} + \underbrace{\overline{X^F} (\widehat{\beta}^M - \widehat{\beta}^F)}_{\text{remuneration effect}} + \underbrace{(\widehat{\theta}^M \overline{\lambda}^M - \widehat{\theta}^F \overline{\lambda}^F)}_{\text{selection effect}}, \quad (5)$$

where θ is the estimate of $\rho\sigma_i$ and λ_i is the average estimated λ_i .

Equations (4) and (5) assume that discrimination results in lower women's wages. Other decomposition methods propose a less extreme approach, where the discrimination not only lowers women's wages, but also increases men's wages. The decomposition equation is extended by vector β^* which reflects the rate of return to human capital characteristics in the case where there is no discrimination. Equation (5) is then:

$$\begin{aligned} \overline{\ln W^M} - \overline{\ln W^F} = & \\ = & \underbrace{\beta^* (\overline{X^M} - \overline{X^F})}_{\text{endowment effect}} + \underbrace{\overline{X^M} (\widehat{\beta}^M - \beta^*)}_{\text{discrimination in favor of men}} + \underbrace{\overline{X^F} (\beta^* - \widehat{\beta}^F)}_{\text{discrimination against women}} + \underbrace{(\widehat{\theta}^M \overline{\lambda}^M - \widehat{\theta}^F \overline{\lambda}^F)}_{\text{selection effect}}. \end{aligned} \quad (6)$$

The first term on the right side of equation (6) again measures the disparity in productivity, the second term reveals the 'discrimination' in favour of men, the third term shows the 'discrimination' against women, and the last term describes the selection effect. The term β^* in equation (6) then acquires the following form: $\beta^* = \Omega \beta^M + (I - \Omega) \beta^F$, where I is a unit matrix and Ω is a weight matrix. In the Oaxaca-Blinder equation, $\Omega = I$. The second extreme would be $\Omega = 0$, which means that the female wage structure is considered non-discriminatory. Some studies [European Commission 2003] have assumed that a non-discriminatory wage structure should lie somewhere between these two possibilities. One possible approach [Cotton 1988] chooses the weight matrix $\Omega = f^M I$, where the scalar f^M represents the share of the major group (men) in the whole working population. Cotton [1988] argues that the non-discriminating wage structure would be closer to the structure of major group.

3.1.3. Data

The EU-SILC household survey is a new panel survey; it replaced the ECHP in 2004. It is a survey that is uniform and compulsory for all EU member states, so it provides good data for cross-country comparisons. The EU-SILC is a four-year rotational panel, which means that information is collected for a period of four years about a number of households, of which one-quarter is randomly dropped and a corresponding number of new households added each year. Information is collected on households (mainly information on living conditions) and on individuals (e.g. individual and job characteristics, wages, income, social allowances, etc.).

This study is based on data from the EU-SILC 2005 for the Czech Republic, which included over 10 000 respondents from more than 4300 households. The sample included in this study consists of 3730 employees (2011 men and 1719 women) aged 15–64, who work a minimum of 15 hours per week. The selection correction required the inclusion of 1733 non-participating persons aged 15–64 (586 men and 1147 women). Self-employed, unemployed and permanently disabled persons are excluded. In other words, the sample covers individuals on whom we have information about their current job characteristics and related wages and those who are voluntarily outside the labour force.

3.2. Variables description

The endogenous variable in the model used is the logarithmic hourly gross wage, which is not obtained directly, but is computed on the basis of the Eurostat definition of the gender pay gap. The hourly gross wage is the usual monthly gross income from a person's main job divided by the quadruple of the number of hours usually worked per week in a person's main job, including standard overtime. The male and female wage equations are:

$$\ln W_j^j = \beta_0^j + \beta_1^j EDUC_Y_j^j + \beta_2^j YEARS_W_j^j + \beta_3^j YEARS_W2_j^j + \beta_4^j CONT_j^j + \beta_5^j REG1_j^j + \beta_j^j ISCO_j^j + \beta_{15}^j FEM_ISCO_j^j + \beta_{16}^j FEM_NACE_j^j + \rho^j \sigma^j \lambda_j^j + \varepsilon_i^j, \quad J = M, F. \quad (7)$$

EDUC_Y states the number of years spent in education, *YEARS_W* gives the total number of years spent in different work experiences, and *YEARS_W2* is its square. Mincer and Polachek [1974] use the number of years since the individual finished their studies and its square²³ as a proxy for work experiences. The data used in this model provide us with the precise number of years spent at work, and that gives us a better picture of work experiences, especially for women, who tend to have frequent interruption in their career.

CONT is a dummy variable that equals 1 if the employee has a job contract of unlimited duration, and 0 if otherwise. *REG1* is a dummy variable that equals 1 if the individual lives in Prague region.²⁴ *ISCOj* is a dummy variable for occupational groups, where *j* = 6 to 14. The ISCO occupational

²³ The influence of work experience on wage levels decreases as the number of years of work experience increases.

²⁴ Initially all fourteen Czech regions were included. The only significant dummy in both equations was *REG1* – the Prague region. Therefore, only this variable was included. This decision is justified because the wage disparity between the Prague region and other regions is substantial, while the differences between other regions are negligible. In 2004 the average wage in the Prague region was almost 27 000 Czk, while average wages were between 18 300 and 20 300 Czk [Czech Statistical Office 2005].

classification code divides employees into ten groups.²⁵ Owing to occupational gender segregation, each individual ISCO group can have a different impact on wage levels. The theory of segregation claims that wages are lower in typically female jobs and occupations [e.g. Anker 1997; Filer 1985]. *FEM_ICSO* and *FEM_NACE* indicate the ‘femaleness’ of individual occupations and industries according to the percentage of women in them, based on double-digit ISCO and NACE codes. In accordance with the segregation theory, the higher the share of women, the lower the wages of both men and women should be.

The participation equation (2) is as follows:

$$I_i^J = \gamma_1^J \text{NONEARN_IN}_i^J + \gamma_2^J \text{AGE_30}_i^J + \gamma_3^J \text{AGE31_45}_i^J + \gamma_4^J \text{AGE46_55}_i^J + \gamma_5^J \text{CHILD_05}_i^J + \gamma_6^J \text{CHILD6_15}_i^J + \gamma_7^J \text{EDUC_SEC}_i^J + \gamma_8^J \text{EDUC_TER}_i^J + \gamma_9^J \text{STUDY}_i^J + u_i^J, J = M, F, \quad (8)$$

Here *NONEARN_IN* is the total annual non-earned household income; *AGE_30*, *AGE31_45* and *AGE46_55* are dummy variables that equal 1 if the individual is younger than 31 years, if they are 31 to 45, and if they are 46 to 55 years old, respectively. *CHILD_05* and *CHILD6_15* are dummy variables indicating the presence in the household of a child under the age of 6 (*CHILD_05*), and a child between 6 and 15 years of age (*CHILD6_15*). *EDUC_SEC* and *EDUC_TER* are dummies for attained secondary and tertiary education, respectively. *STUDY* is a dummy variable that equals 1 if the individual is studying at the time of the survey.

These variables should have some influence on participation. Total non-earned household income²⁶ refers to the financial situation of a household, and it certainly has an influence on the decision to participate in the labour market. The age of an individual can also have an impact on men’s and women’s participation. The age categories into which the individuals are divided are narrower because, especially in the category of women, participation can be influenced differently in various stages of life, for example, when starting a family.

The presence of children in the household should not have an impact on wages, but it could influence the participation decision, for example, of a woman in a family with a child under the age of 6. Also, men’s participation can be positively influenced by the presence of children in both age groups, as men are often the primary breadwinners. Given that educational level exhibits a positive influence on potential wages, it is expected also to have an impact on both men’s and women’s decisions to participate.

The variable *STUDY* is supposed to have a negative impact on participation. Some authors [e.g. Beblo et al. 2003] exclude young individuals under the age of 25 from the sample, so that the participation decision is not influenced by the limited opportunities of students to work. Therefore, this variable is included in order to control for the participation decision of young people. All the

25 ISCO0 – Armed forces, ISCO1 – Legislators, senior official and managers, ISCO2 – Professionals, ISCO3 – Technicians and associate professionals, ISCO4 – Clerks, ISCO5 – Service workers and shop and market sales workers, ISCO6 – Skilled agricultural and fishery workers, ISCO7 – Craft and related trades workers, ISCO8 – Plant and machine operators and assemblers, ISCO9 – Elementary occupations. The last group is dropped owing to collinearity. Dummy variable ISCO0 dropped also among women, because there are no women in the group of servicemen.

26 Various social allowances, regular transfer received from other households and rental income.

variables included in the participation equations proved significant, with the exception of *CHILD_05* in the category of men.

The data were weighted by individual weights reflecting the number of people in the whole population represented by a particular individual. The final form of the equations was attained using a forward stepwise method; non-significant variables were not included.

3.3. Results

The first part of this section presents the results of the Heckman wage and participation equations. The following part compares the gender wage gap decomposition using the Oaxaca-Blinder method and the Cotton method.

3.3.1. Model

The results of the Heckman model are presented in Table 3.1²⁷. Columns (1) and (2) correspond to the first model, excluding the variables of ‘femaleness’ by ISCO and NACE codes. In accordance with expectations, education positively influences wages in both groups. Investment in education is rewarded by higher wages. The coefficients are significant at the 1% level and, interestingly, are moderately higher for women. One additional year of education increases women’s wages by 0.0479 log points and male wages by 0.0453 log points. The female wage function lies below the male function, but its rise is steeper. That is why women’s wages increase more rapidly with higher education.

On the other hand, an additional year of experience (*YEARS_W*) has a more positive impact on men’s than on women’s wages; men’s work experience is better appreciated. The square of experiences (*YEARS_W2*) negatively affects wages in both groups, although it is less significant for women. It confirms the assumption of Mincerian type equations that the rise of wage is decreasing with increasing experience. If the employee has a contract of unlimited duration, her/his wage will be higher than when they have a contract with no or limited duration. This impact is, surprisingly, stronger among women. The same proved to be the effect of living in Prague.

All the occupational dummies (except of ISCO6 for men) exhibit a positive influence on wages. The lowest average wage (CZSO, 2005) is in group 9, which has been excluded due to collinearity. Therefore, all other ISCO groups have a positive effect on wages in comparison with the excluded group. The highest coefficients are in the group ISCO1 – legislators, senior officials, and managers. Moreover, if men work in leadership positions, their wages will increase more than women’s, of whom there is a considerably smaller percentage in such positions than men.

The variable ISCO6 proved insignificant for both gender groups. However, the percentage of women and men employed in this group is very low (1.9% and 1.7%, respectively). Furthermore, ISCO5 is insignificant for women, although the percentage of women working at this group is noticeably higher than the percentage of men (16% and 8%, respectively).

²⁷ The Heckman selection model for estimating wage equation coefficients uses the maximum likelihood method. The theory [Heckman 1979] mostly uses the least squares method. The difference in results between least squares and the maximum likelihood method appeared to be negligible.

Table 3.1. Heckman Model

	Male (1)		Female (2)		Male (3)		Female (4)	
LnW	coeff.	s.e.	coeff.	s.e.	coeff.	s.e.	coeff.	s.e.
EDUC_Y	0.0453*	(0,0047)	0.0479*	(0,0046)	0.0465*	(0,0048)	0.0482*	(0,0046)
YEARS_W	0.0186*	(0,0028)	0.0070**	(0,0028)	0.0188*	(0,0028)	0.0073**	(0,0028)
YEARS_W2	-0.0004*	(0,0001)	-0.0001***	(0,0001)	-0.0004*	(0,0001)	-0.0001***	(0,0001)
CONT	0.0683*	(0,0245)	0.1127*	(0,0221)	0.0657*	(0,0247)	0.1099*	(0,0221)
REG1	0.1476*	(0,0265)	0.2179*	(0,0239)	0.1487*	(0,0268)	0.2122*	(0,0241)
ISCO0	0.6817*	(0,0742)	-	-	0.6701*	(0,0764)	-	-
ISCO1	0.5515*	(0,0580)	0.5494*	(0,0634)	0.5407*	(0,0590)	0.4967*	(0,0659)
ISCO2	0.3345*	(0,0521)	0.4227*	(0,0368)	0.3351*	(0,0521)	0.4160*	(0,0364)
ISCO3	0.3932*	(0,0431)	0.3919*	(0,0297)	0.3807*	(0,0428)	0.3975*	(0,0293)
ISCO4	0.1981*	(0,0484)	0.3302*	(0,0317)	0.2037*	(0,0486)	0.3537*	(0,0334)
ISCO5	0.1135**	(0,0476)	0.0405	(0,0306)	0.1200**	(0,0467)	0.0483	(0,0302)
ISCO6	-0.0061	(0,0678)	0.0217	(0,0555)	-0.0261	(0,0666)	-0.0227	(0,0573)
ISCO7	0.1893*	(0,0401)	0.1400*	(0,0342)	0.1601*	(0,0428)	0.1086*	(0,0355)
ISCO8	0.1448*	(0,0419)	0.1883*	(0,0387)	0.1195*	(0,0430)	0.1564*	(0,0401)
FEM_ISCO	-	-	-	-	-0.0003	(0,0004)	-0.0015*	(0,0006)
FEM_NACE	-	-	-	-	-0.0011**	(0,0005)	-0.0002	(0,0004)
CONST	3.5172*	(0,0717)	3.2978*	(0,0681)	3.5640*	(0,0737)	3.4021*	(0,0749)
PARTICIP.								
NONEARN_IN	-0.000009*(0,000001)		-0.000007*(0,000001)		-0.000009*(0,000001)		-0.000007*(0,000001)	
AGE_30	1.9317*	(0,2013)	1.8646*	(0,1111)	1.9331*	(0,2008)	1.8654*	(0,1112)
AGE31_45	1.8136*	(0,1060)	2.1560*	(0,1406)	1.8143*	(0,1057)	2.1569*	(0,1406)
AGE46_55	1.4306*	(0,0716)	1.9770*	(0,0850)	1.4323*	(0,0714)	1.9775*	(0,0851)
CHILD_05	0.3424	(0,2435)	-1.9693*	(0,0976)	0.3423	(0,2432)	-1.9691*	(0,0977)
CHILD6_15	0.2986**	(0,1334)	0.2624**	(0,1098)	0.2989**	(0,1337)	0.2621**	(0,1099)
EDUC_SEC	0.8074*	(0,1005)	0.8573*	(0,0763)	0.8087*	(0,1001)	0.8576*	(0,0763)
EDUC_TER	1.4119*	(0,1287)	1.1626*	(0,1074)	1.4151*	(0,1284)	1.1632*	(0,1074)
STUDY	-3.7021*	(0,2670)	-2.6963*	(0,1690)	-3.7029*	(0,2667)	-2.6967*	(0,1691)
CONST	0.2973**	(0,1422)	-0.6477*	(0,1633)	0.2953**	(0,1422)	-0.6495*	(0,1633)
RHO	-0.2522	(0,0777)	0.0831	(0,0593)	-0.2450	(0,0787)	0.0911	(0,0590)
SIGMA	0.3331	(0,0068)	0.3023	(0,0086)	0.3324	(0,0069)	0.3014	(0,0087)
LAMBDA	-0.0840	(0,0259)	0.0251	(0,0180)	-0.0814	(0,0262)	0.0275	(0,0179)
Pseudo R ²	0.70		0.58		0.70		0.58	

Source: Author's calculation based on EU-SILC data.

Note: *denotes significance at the 1% level, **significance at the 5% level, *** significance at the 10% level. Standard errors are in parentheses.

The bottom part of Table 2 shows the results of the participation equations.²⁸ All the coefficients, except for the *CHILD_05* in the men's category, appeared significant and relatively high. The non-earned household income (*NONEARN_IN*) exhibits a negative impact on both men's and women's participation in the labour market, slightly higher in the category of men. The higher the non-earned income of the whole household is, the lower the probability that the household members participate.²⁹

The impact of age on men's and women's participation differs considerably. All the variables are high³⁰ and significant at a 1% level. Men are more likely to participate at a younger age, as opposed to women, who tend to devote their young age to establishing a family and (re)enter the labour market at the age of 31 and over.

The presence of children in the household has a different impact on men's and women's decisions to participate, but the presence of children from the youngest group proved insignificant for men. The results confirm an intuitive supposition that women with preschool-age children stay at home and only enter the labour market when their children reach school age, while men provide for the financial needs of the family. Men are more likely to participate when they have preschoolers at home than when their children get older. These findings are confirmed by the coefficients -1.97 and 0.26 among women with preschoolers and school-age children (respectively) and 0.34 and 0.30 , respectively, among men.

The dummy variables of both secondary and tertiary education have a positive and significant influence on the decision of both men and women to participate; the female coefficient is moderately higher at the secondary level, while the tertiary education coefficient is considerably higher for men. It has been observed that current studies negatively influence the participation of men in particular.

Columns (3) and (4) represent the second model, which adds the variables of the 'femaleness' of the occupation (*FEM_ISCO*) and the industry (*FEM_NACE*) to the first model. The second model is presented separately owing to the significance of these two variables. *FEM_ISCO* is significant at the 1% level in the female equation, while highly insignificant in male equation. Conversely, *FEM_NACE* is significant at the 5% level in the male equation but highly insignificant in the female equation. Unfortunately, the data provides only two-digit information about ISCO and NACE codes, which can be the source of the insignificance. Although the coefficients are negative, but relatively small, the 'femaleness' of occupation and industry proved relevant. The strong effect of the occupational and industry segregation on gender wage disparities in the Czech Republic was confirmed in Jurajda's studies [e.g. Jurajda 2005], although in his findings the effect was considerably stronger.

28 The standard OLS regression method is used for men in some studies [e.g. Beblo et al. 2003] because the percentage of working men in the sample is close to 100%. I use the Heckman procedure for both men and women for several reasons. First, I intend to use the same method for both men and women, as the decomposition of the wage gap can be done consistently. Second, the percentage of working men in the (not weighted) sample is 77%, while it is 60% amongst women. And finally, the Wald test of independent equations proved that the Heckman method is even more adequate for men (significance at 1% level) than for women (almost significance at 10% level).

29 The coefficients are very low but it does not weaken their effect, as they exhibit an influence of a 1% increase in annual non-earned income stated in Czk units.

30 Compared to the 56 to 64 year-old age group, which is omitted; the probability of the participation is lowest in this, the oldest group, and its influence is included in the intercept.

The other coefficients vary only moderately from those in columns (1) and (2), and the relationship between male and female coefficients is similar.

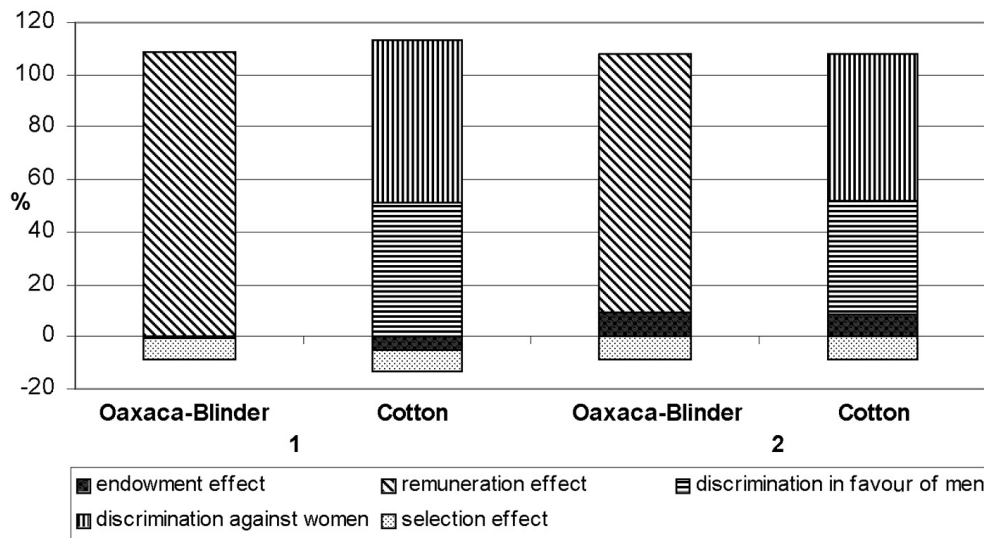
3.3.2. Decomposition

The gender wage gap expressed as a difference between male and female average hourly log-wage (the expression on the left hand side in equation (4)) amounts to 0.21. The Oaxaca-Blinder decomposition method (column 1 in graph 1) points out the negative selection effect -0.02 (e.g. -7.6% of the gap). This revealed that the potential gender wage gap would be higher than the observed one, which only applies to working individuals.

If the average characteristics of working women and men were the same, the endowment effect would be zero. The decomposition results reveal an almost zero or even negative endowment effect (-0.0014 which creates -0.67% of the gap). This indicates that the regression with the included variables did not help to explain the gender wage gap, because the difference between the characteristics of working men and women is small. The almost zero endowment effect, together with the negative selective effect, leads to the conclusion that men with both low and high productivity work, while it is particularly women with relatively high productivity, compared to the non-participating ones, who work.

Graph 1 indicates that the remuneration effect is very high (0.22, which is 108.2% of the gap). If the male and female characteristics were remunerated in the same way, the remuneration effect would be zero. It is more precise to consider the remuneration effect an unexplained part of the wage gap, rather than an effect of discrimination, because the remuneration effect is formed not only by discrimination, but also by other unexplained components (e.g. the effect of occupational segregation).

Graph 3.1. Decomposition of the gender wage gap



The second column decomposes the gender wage gap according to Cotton: the remuneration effect is transformed into the 'discrimination against women effect' and the 'discrimination in favour of men effect'. The male wage structure is no longer considered non-discriminating. The coefficient β^* in equation (6) is weighted by the share of men in the working population (56.83%), and therefore it is lower than the coefficient $\hat{\beta}^M$ in equation (5). As a consequence, the endowment effect in Cotton's decomposition method reaches an even higher negative value (-0.01 or -4.8%) because the differences between working men and women observed characteristics are too small. The remuneration effect is divided into two parts: the 'discrimination against women effect' (61.5%) is considerably higher than the 'discrimination in favour of men effect' (50.9%).

Columns (3) and (4) show the decomposition results according to Oaxaca-Blinder and the Cotton methods from the second model (columns 3 and 4 in table 1), which adds the ISCO and NACE 'femaleness' variables. Therefore, the endowment effect also includes the impact of occupational and industry segregation.

Most of the empirical studies of the impact of occupational segregation on wage gaps are based on US data; for example, Groshen [1991] cites a segregation impact of one-half to two-thirds of the wage gap. There are only a few European studies that deal with the influence of segregation on the wage gap in more detail. Oglobin's study [1999] is the first work, which examines the segregation effect in transition countries. Using Russian data in 1994–1996 he indicates a segregation effect of more than an 80%.

Jurajda [2003], in his work based on data from 1998, argues that one third of the gender wage gap is caused by unequal male and female representation in particular occupations in both the Czech and the Slovak Republics. Graph 1 shows the visible but much lower effect of occupational and industry segregation.³¹ With the Oaxaca-Blinder method (column 3) the endowment effect rises to 0.02 (9.2%).

A European Commission study [2003], which decomposes the gender wage gap in the EU based on ECHP survey from 1998, comes to similar conclusions. The Oaxaca-Blinder decomposition, according to Heckman's procedure, shows a negative selection effect (more than 40%). The remuneration effect is also very high – more than 120% – and the endowment effect represents almost 20%. However, the different source of the data and their potential make the comparison more difficult.

3.4. Conclusion

This chapter looked at the gender wage gap in the Czech labour market, compared the male and female wage equations, and examined the structure of the gender wage gap. The wage equations coefficients are estimated by the selection-corrected Heckman procedure, the advantage of which lies in the inclusion of the impact of non-participating individuals. If the influence of participation on the wage level were ignored, the effect of particular factors on the wage would probably be biased. The microdata used in this study also include variables influencing the decision to participate in the labour market. Therefore, this study provides not only a more accurate examination of the impact of particular factors on the gender wage gap, but also a comparison of the observed and the potential

31 One possible reason is the absence of more than two-digit ISCO and NACE codes in the data.

gap, which arises when non-participating individuals join the labour market. If we try to achieve higher female labour market participation, the potential gender wage gap is a more appropriate indicator than the observed gap.

Generally, the wage and participation equations coefficients estimates are robust and confirm expectations. Following the human capital theory, the investment into each additional year of education is appreciated by higher wages for both men and women. Moreover, women's wages grow slightly more rapidly with higher education. Education also proved to have a positive and significant effect on the probability of both men's and women's participation. Women with secondary education are more likely to participate in the labour market than men with the same level of education.

The factors of participation revealed considerable disparities between men and women. The younger the men are, the greater the probability of their participation, while the probability of women's participation reaches its peak between the ages of 31 and 45. Women with preschool children tend not to participate, while the impact on men's participation is positive, although insignificant. The presence of older children in the household increases both male and female probability of participation, but men are more likely to participate. These findings are consistent with the fact that young women stay at home in the period of establishing the family and do not enter or re-enter the labour market until their children reach school age.

The differences between the causes of men's and women's decisions to participate influence the disparity between the observed and the potential gender wage gap. The almost 10% negative selection effect indicates that the gender wage gap would increase if the non-participating individuals entered the labour market. The endowment effect is the part of the gender wage gap that is caused by differences between male and female individual and other job characteristics. This effect proved to be almost zero, thus there are almost no differences between characteristics of working men and women on the Czech labour market. These two facts suggest that there are both low and high productivity workers among men, while among women, it is particularly women with relatively high productivity, compared to the non-participating ones, who work.

The low endowment effect means that the presented model does not help to explain the gender wage gap. The remuneration effect (or more accurately the unexplained part of the gender wage gap) reaches almost 110% of the gap. The proportions of endowment and remuneration effects differ when the occupational and industry segregation is included. When the 'femaleness' of occupation and industry (the share of women in a particular occupation and industry) is added to the regression model, the endowment effect rises and the remuneration effect decreases by 10 percentage points.

This finding is probably underestimated, as some of the coefficient estimates do not prove to be significant. 'ISCO femaleness' appears significant only for women, while 'NACE femaleness' is significant only for men. The data provide the classification only at a two-digit code level, which can be the source of insignificance. A more detailed classification would describe the 'femaleness' more exactly, and then the increase of the endowment effect could be more apparent. However, the segregation considerably contributes to the endowment effect.

The results provide evidence of positive selection into employment in the Czech Republic, that is, that high-wage individuals are more likely to participate in the labour market. Once non-participating

individuals enter the labour market the gender wage gap increases. Therefore, those who are discouraged from participating in the labour market are mainly low-wage women. The low participation of women lowers the effectivity of the labour market, since women's working potential is used insufficiently. Moreover, many workers stay out of the labour force, which reduces labour market flexibility. The appropriate labour market policy, which would suppress occupational segregation and the differences in remuneration in 'female' and 'male' occupations, is necessary to encourage such women to enter the labour market. Active employment policy aimed at education and retraining could increase the potential wage of non-participating individuals to enhance women's participation. Consequently, the difference between the observed and the potential gender wage gap could decrease, which would indicate less gender inequality in the labour market, rather than a relatively small observed gender wage gap.

4. Transformation Strategies in the Agricultural Sector³²

Zdeněk R. Nešpor

The agricultural sector is of special interest to economic sociologists for at least two reasons. First, it is a sphere greatly influenced by external regulations in the European Union (grant policy, foreign trade restrictions, etc.), which is in a sense similar to the way the former planned economies worked (though with different goals and employing different tools), but at the same time a characteristic feature of the Czech transformation period was the significant reduction in or even absence of state protective policy.³³ How then have farmers managed in a situation where the agricultural sector is experiencing massive changes resulting from the combined effects of the general economic transformation, the ongoing integration of the Czech Republic into the EU, and the changes to agricultural policy? Is Czech agriculture still as conservative as early literature made it out to be (especially Bláha [1925]) or as Haukanes highlighted in two local micro-studies she carried out in the first half of the 1990s [Haukanes 2004]? Or is the ‘old’ mixing with the ‘new’ to form a hybrid system in which (transformed) socialist cooperatives have been taken over by new entrepreneurs, both Czech and foreign, and to which European norms and standards have been introduced? Second, western agriculture has recently become differentiated. In addition to global ‘mcdonaldised’ “factories for the ‘production’ of animals” [Ritzer 1996: 106–107; cf. Stone and Downum 1999], there is a growing ecological farming sector, an increase in the amount of land under cultivation, and a rise in agrotourism, etc. The planned major restructuring of EU grant policy promises a shift from sector-based subsidies to regional and specific projects or even to target small farms. The question naturally arises then as to how Czech farmers will face these challenges and opportunities. They do admittedly enjoy certain advantages over their western counterparts, including large-scale farms, relatively cheap land, in terms of both purchase and rental price, and low labour costs.³⁴ However, they also suffer from several disadvantages, such as unsolved property rights, low margins, and poor relative efficiency. Has anything changed over the seventeen years since 1989?

Though for many decades agriculture has been a small sector (making up roughly 3–5% of Czech GDP), these and other questions are important research themes for economic sociology or anthropology. Other contemporary Czech studies in this field have exhibited clear limitations [see Nešpor 2005: 6–12] and have been conducted either by so-called rural or agricultural sociologists

32 An earlier version of this chapter was published in *Sociologický časopis/Czech Sociological Review* 42 (2006), No. 6, pp. 1171–1194 under the title “‘The Son Has Ploughed’”, but a Foreign Son. Five Case Studies on Transformation Strategies in Czech Agriculture after 1989’ [Nešpor 2007].

33 The statement does not entirely fit in case of property relations, see below. Their importance has been stressed by Abrahams [1996], Hann [2003], Verdery [1996: 133–167], Verdery [2003], and others.

34 Agricultural wages and land costs have increased since the accession of the Czech Republic to the EU [Doucha 2004], though it is not clear whether as a result of the process, or (rather) of the government’s socialist policy.

mainly for decision-making reasons (e.g. the Research Institute for Agricultural Economics, the Czech Agricultural University), or by environmentally aware sociologists providing research alternatives to the mainstream (B. Blažek, M. Lapka and M. Gottlieb). The former have generally restricted themselves to an economic perspective, though there is a growing tendency towards reversing this trend [Hudečková and Lošťák 2002]. Conversely, their critics have often yielded to idealised visions of history and paid no attention to the socially embedded nature of the system.³⁵ Moreover, both 'schools' are circumscribed by the 'magical factor' of sociological thought, overlooking randomness and the specificities of micro-events, as described by Keller [1995: 42–43].

Such perils can only be diminished by compiling more detailed, complementary case studies that are oriented towards the micro- and meso-levels of socio-economic behaviour in agriculture, without challenging the importance of macro-studies of economic, legal, social, and political aspects. Certain such micro-studies have already been made [e.g. Haukanes 2004; H. Hudečková and M. Lošťák in Kandert 2004; Premusová 1999], but it is clear that this research field has not yet been exhausted. Moreover, though foreign literature in the field is quite extensive [e.g. Hann 2003; Leonard and Kaneff 2001] and includes a number of case studies [e.g. Creed 1998; Thelen 2001; Torsello 2003; Verdery 2003], there is no fundamental economic-anthropological typology that would allow an international comparison.

The author's research assumes that socio-economic behaviour is in general relatively stable or path dependent [cf. Hann 2003: 29], and that implies a certain typology, the verification of which lies with future research. Five case studies of successful agricultural companies with different backgrounds and histories have been made by the author in 2004–2005 (businesses established before 1989, the farm of a restituent, and foreign enterprises), and although the methodology used does not allow for a comparison with quantitative data, together they provide a relatively in-depth picture and a comparison of different entrepreneurial strategies. The text below focuses on 1) generally describing the development of Czech agriculture in the 20th century, 2) technically characterising the research conducted on this topic, and 3) examining the results of the case studies, i.e. particular transformation strategies. Subsequently, the strategies are 4) analysed and compared with other accessible data to provide 5) an evaluation of the transformation and Europeanisation of selected forms of Czech agriculture, potential future strategies, and the dangers inherent in future development.

4.1. The development of Czech agriculture in the 20th century

The aim here is not to provide an exhaustive socio-historical analysis of the development of Czech agriculture, something that has already been done elsewhere [Jech 2001; Majerová 2000; cf. Tauber 1965³⁶]. However, the most important milestones had such an impact on the perception of Czech agriculture by the state and society that they must be taken into account (the author does not identify all of them in accordance with Majerová [2004a]). The agricultural sector would be in a radically

³⁵ Moreover, this kind of committed sociology is often prone to accept aprioristic religious or quasi-religious ideologies; this was especially true for earlier French sociology of the countryside, which was deeply influenced by Catholic *sociologie religieuse* [Le Brass 1955] and later by Marxism [Gervais et al. 1972; cf. Jollivet 1986]. In simple terms, in the Czech Republic the very opposite change occurred.

³⁶ For an international comparison, see I. T. Berend in Kaser and Radice [1985: 148–209].

different situation from where it is today if there had not been land reform, the displacement of Czech Germans, collectivisation, and finally the post-1989 transformation. The beginnings of the 'socialisation' in Czech agriculture, for example, were unique in that it emerged out of a relatively unimportant agricultural industry that employed little more than a third of the population but which enjoyed surprisingly strong political representation and consisted mainly of small-scale family farms participating in a well-developed market, and cooperatives, and other institutionalised self-help entities with a strong tendency towards technological modernisation. These individual characteristics could certainly also be found in other Eastern European countries (including Slovakia),³⁷ but their combination was specific to the Czech lands.

Czechoslovak land reform after the First World War resulted in the predominance of relatively inefficient small-scale farms, which, combined with a loss of markets and reduced foreign investment caused a serious economic slump, exacerbated by the inability of many new owners to manage their property effectively. The remedy was found in (political) agrarianism, which provided external protection and facilitated the spread of cooperatives and the education of farmers in the use of new technology. With extensive modernisation and political support Czech agriculture quickly recovered, and the only remaining problem was that of insufficient social protection for the rural landless. But given the massive urbanisation that was simultaneously under way, this was of much less importance than Marxist scholars subsequently stressed. Generally speaking, Czech agriculture performed well during the interwar period and even better during the hungry war years, supported as it was by the order that the German war economy imposed on it and by the nation-wide symbolic identification with rural life and culture.

Further steps towards the nationalisation of property occurred shortly after the end of the Second World War. Almost the entire ethnic German population that had inhabited the Czech lands for centuries was forcibly expelled off their property, and as a result the ethnic, social, and property structures in certain regions were completely transformed (earlier land reform had been more or less country-wide). In most cases, those who came to fill in the residential vacuum in such areas had problems adapting, not just to living on their new property, but also to life in the border regions, the location in which they now found themselves, and often even to farming itself. Most of these newcomers came from the central regions of the country, motivated by their memories of wartime shortages and by the desire to own property; in other words, they lacked a 'heart-felt' connection to the land, while others were Czech emigrants returning from abroad who had to re-adapt to Czech society and the new environment. During this transition period, political resonance was far more important than economic efficiency (pre-war agricultural efficiency was at a level of productivity that remained unparalleled for several decades afterwards), which was exploited by the Communist Party overseeing the resettlement programme. The first steps towards 'socialisation' in 1949, for example, were aimed against existing cooperatives and sought to forcibly transform them into 'united agricultural cooperatives' (JZDs).³⁸ The former cooperatives, which had differed both in terms of size and the aims they pursued and had played primarily a supportive role, were thus integrated into broadly based economic units.

37 For example, the cooperatives that developed in Bulgaria and certain parts of SHS (Yugoslavia); Bulgarian agrarian education, and technological innovations in Hungary; [see *ibid.*: 148–209, or e.g. Necov 2006: 71–72, 77–80].

38 'State farms' were also established and were the only other important socialist agriculture unit, which included state ownership of forests and research institutes, confiscated the property of the church, the nobility and later the 'kulaks'. In fact, there were no practical differences between cooperatives (JZDs) and state farms.

There soon ensued a Soviet-style collectivisation of property similar to what went on in other Eastern European countries.³⁹ Although it was impossible to intensify the 'class struggle' in the countryside, a reduction in the amount of large-scale farming enterprises was achieved through increases in the mandatory quotas on products, higher taxes, more restrictions on employing servants (though there were few at that time anyway), and price disadvantages, non-compliance with which was strictly penalised. Occasionally there were cases of property confiscation, forced displacement, or the imposition of so-called national governance of private farms. Nevertheless, in general farmers were not initially opposed to the JZDs, but in time they became disillusioned. Membership in JZDs began to fall as the state introduced 'higher forms' of JZDs, which reduced private ownership to the status of a pure formality. Hostility towards 'wealthy villagers' was especially brutal at this time. However, the legal and, in many cases, existential uncertainty of private farmers was only one aspect of the violence that accompanied collectivisation; the socio-cultural implications were equally important and included state lawlessness, the quashing of village autonomy and community spirit owing to the establishment of nominated administrative bodies, poor treatment of the land, and scorn for traditional ownership and even a distaste for agricultural products. The disruption and eventual extinction of rural traditions was one of the consequences of these changes and led eventually to a devaluing of the social prestige of agriculture.

The 'socialisation' of the Czech countryside was completed in the 1950s. Land controlled by JZDs continued to be formally co-owned by small farmers, and surprisingly a small number of private farms survived, though their economic and social impact was insignificant. JZDs gradually improved in efficiency, partly as a result of their amalgamation during the 1960s and 1970s, but their performance remained far from optimal [Tauber 1965: 66ff]. The 1970s saw the onset of widespread modernisation and the introduction of new technology and management systems, though there was very little change in personnel and per capita efficiency. Agriculture thus had to be heavily subsidised by the state (including hidden subsidies) and a 'silent agreement' was made between the state and farmers, which ensured the latter a relatively high social, economic, and cultural living standard, along with turning a blind eye to theft of farm property in exchange not for increased productivity but for loyalty to the regime. The realities of socialist policy thus put an end to rural emigration to urban centres (a policy that not long before had been actively encouraged) and helped stabilise the agricultural sector. Although the social advantages led to an improvement in the living standards for practically all agricultural employees, these were counteracted by the economic inefficiency of the sector as a whole. Rectifying this problem was a major challenge that the architects of economic reform faced after 1989.

Transformation brought about a rapid reduction in state subsidies accompanied by a reduction in the number of employees in the sector and a corresponding increase in their economic and social insecurity. Consequently, the Czech countryside was one of the sectors of society most quickly and drastically affected by the post-1989 changes, and that subsequently resulted in deep dissatisfaction with the transformation, the overall social impact of which was limited only owing to the small percentage of farmers in society [Majerová 1992: 36; Torsello 2003: 87–91].⁴⁰ Surveys at the time

³⁹ Poland and Yugoslavia eventually abandoned collectivisation, while in Hungary it was balanced by a large number of private plots, i.e. essentially village 'backyards', which in Hungary produced about two-thirds of all agricultural products.

⁴⁰ Agrarians' discomfort had led to a constitution of seven particular political parties at the beginning of the 1990s, while none of them was eventually successful; later on the Christian Democratic Party took their votes; [cf. Haukanes 2004: 37–40]. The opposite situation took place in rather agrarian Bulgaria, where socialist sentiments of many peasants deeply influenced political situation; [see Creed 1995].

emphasised the risks of structural poverty and a consequent increase in hoarding activities and respondents complained about the low rates and dynamics of wages in the sector. Conversely, only 3% of respondents indicated that their work was profitable after state intervention had been withdrawn [Horská and Spěšná 1994, 1996]. At the same time, large property shifts were occurring, in part owing to restitution (a policy that favoured the property rights of the descendants of former owners rather than those of the current inhabitants) and in part owing to the complex transformation of the cooperatives, which in most cases led eventually to the foundation of joint-stock companies.

Major problems arose as a result of the chronic lack of finance in the sector, which put constraints on restructuring, innovation, and even the basic functioning of market mechanisms, resolved by reliance on barter trade, socio-economic networks, etc. State subsidies were cancelled in the first half of the 1990s, agriculture was not regarded as a reliable risk by banks (though they granted many dead loans in other sectors), and foreign investment was banned owing to the policy of economic nationalism [Myant 2003; Verdery 1998]. The transformation of agriculture in other countries was almost a no-win situation [Verdery 2003], but this was not the case of Czech agriculture. Many endeavours failed, but, as the sections below will attempt to show in five case studies, some successful approaches to these challenges were adopted.

4.2. Research outcome

4.2.1. Data sources

Sociological macro-studies have been complemented and/or amended by local and community studies since as early as before the Second World War. In Czechoslovakia, D. Gusti and the Romanian school of sociology were an important influence in this regard, and examples of such research included A. Bláha's study in Velká nad Veličkou, K. Galla's in Sáňy and Dolní Roveň, M. Hájek's in Neslovice, and Z. Ullrich's in 'rurbanist' villages in the Prague agglomeration. Unfortunately, their legacy was almost lost after the communist takeover and the results of similar research later on was only published abroad [Salzmann and Scheufler 1974]. The development of Czech sociology of the countryside and related disciplines turned to a macro-scope, quantitative surveys, and a strong link to the decision-making sphere. Notwithstanding the fact that case study research (more modern in design) found more than a few exponents in the 1990s, there is no broad agreement on methodology, performance, or the application of results. Certain scholars prefer a combination of socio-anthropological and qualitative sociological methods [e.g. Lozoviuk 2005: 24–36], a view close to the opinion of this author, while other sociologists emphasise the need to make qualitative methodologies more 'scientific' by drawing direct inspiration from quantitative methods [e.g. Majerová and Majer 2003–5].

The case studies were selected in accordance with the most basic findings of economic sociology that different kinds of behaviour largely occur owing to a variety of former experiences, internalised norms and values, and the social capital of both individuals and organisations. Two case studies look at the transformation of Czech agricultural firms *sensu stricto*, i.e. the transformation of firms established before 1989. One such firm was a large, successfully transformed JZD, an example of a 'revolution of deputy-directors', and the second a private farmer who started his business on a piece of land privately owned even before 1989. The opposite extreme was represented by foreign investors, with their knowledge of agriculture in Western Europe, social capital, and personal contacts abroad.

Two cases of this type were also selected here: one a large agricultural firm established out of the remains of an unsuccessfully transformed JZD, and the other a family enterprise located on a grassless plain. The fifth case lies somewhere in between these two types: a family farm owned by a Czech emigrant who returned to the Czech Republic and brought back with him from the West an understanding of western socio-economic norms and entrepreneurial strategies, while retaining a knowledge of the Czech environment; he was also involved in the property restitution process. This example is supported by the results of other recent research [Nešpor 2005a]. No complementary domestic example of this type was studied.⁴¹

The businesses in the study were chosen randomly from a selection of five to ten comparable firms for each category, and these firms were selected on the basis of previous research. The firms selected have been in business for at least five years and are economically successful. The aim of this research is not to show the decline or poor performance of those agricultural businesses that selected their production/market strategies badly, though there are still many such firms in the Czech lands [cf. Haukanes 2004: 124–132; Skalník 2003: 113–114], but rather to point out the various and distinct development strategies that proved successful. Only those firms able to survive and prepared for future development, in some cases in the wider European context, were selected to be included in the research sample. To what degree the selected cases are representative, or whether any other successful entrepreneurial strategies exist, are matters that must be reserved for future research, probably using different methodology.

4.2.2. Czech farmers

Two types of socialist agricultural firm have successfully survived the post-1989 transformation: de facto state-owned businesses (JZDs or state farms) and small-scale private farming plots. Below, the first case is represented by Petr's cooperative and the second by Zbyšek's family farm.⁴² In 1988–89 a relatively small JZD hired a man named Petr as its head technologist, who later played a crucial role in the transformation of a relatively small JZD. Previously, Petr had worked for a much larger cooperative, where he had tried to increase efficiency, impose a meritocratic remuneration system, and even to establish dialogue with western companies. However, a power struggle within the firm forced him to resign, and this small cooperative, managed by a friend, seemed to offer him new opportunities to further his career. When later on the enterprise took advantage of available subsidies, it actually saw an increase in its production efficiency owing to the restructuring, new production methods (poultry farming), business contacts with western companies, and, last but not least, increased income motivation for employees; all the changes were introduced by Petr.

Consequently, the enterprise was prepared when the revolution occurred in 1989, and it was ready to begin signing contracts with foreign firms as early as the spring of 1990. There was enough revenue not only to complete essential reconstruction work, but also to extend the facilities, for

41 Most of the research conducted to date stresses that the great majority of the restituteds did not start a business, or if they did, it made no difference to the entities undergoing transformation [Haukanes 2004: 118–119, 161–162; Jech 2001: 179–180]. 'Czech sons at the plough' are discussed in H. Hudečková and M. Lošťák in Kandert [2004: 258–280; 177–198], while specific – yet uncommon – cases of (private) farmers that resisted collectivisation are addressed in Lapka and Gottlieb [2004]. For a theoretical explanation of the absence of a pre-communist type of economic culture in the processes of transformation, see Skovajsa [2006: 259–260]; on decollectivisation, see also Hann [1993], Thelen [2001].

42 All personal names are fabricated.

example, by adding a new slaughterhouse building, which allowed the firm to become independent of the food-processing industry. The cancellation of planned foreign investment into the firm and the firm's subsequent lack of capital forced the farm to transform itself into a joint-stock company, with 75% of the stock being bought by a state foreign trade company. Later, when that company was in liquidation, the stock was bought by the management of the cooperative. Property restitution and subsequent problems with too many 'owners' were not an issue in this case because a change in production left most of the land resources unused. Rapid development, spurred on by a well-managed transformation and the targeting of western markets, encouraged the company to invest in other local bankrupt cooperatives. The firm was thus able to expand its production, become more independent, and (to a lesser degree) succeed in its aim of selling a certain part of its production through its own distribution chain.

In order to achieve so much the company's employees had to be motivated, and this was done first with negative measures, by instilling in employees the fear of losing their job, a measure that brought the firm into conflict with local officials. The firm devised a new human-resources policy centred on hiring younger and more flexible employees and imposed strict penalties for disloyalty. It was only possible to introduce positive incentives once the business had been running for ten years and amidst a simultaneous increase in local unemployment and a positive perception of the firm's success. At the same time the company began to decentralise, emphasise personal responsibility at all levels of management, and turn its attention to specific rural values. In short, the success of the cooperative was due to skilful management and the adoption of market principles in advance while still under the socialist regime. Some employees and local administrators had tried, unsuccessfully, to block the introduction of these principles, but they were grudgingly accepted once the results (not just financial) of the company's work became evident.

A private farmer named Zbyšek had also practised a certain form of 'capitalism' before 1989. During the socialist period he was officially an employee at a farming cooperative, but he also worked on his own successful private farm, which proved capable of producing more than enough to meet his family's consumption needs. Owing to this surplus, Zbyšek was accused of engaging in illegal entrepreneurship. Only his social connections saved him from criminal prosecution. In the new economic circumstances after 1989 he was dismissed from the cooperative, leaving him no other option than to start his own business. Unfortunately, in the first half of the 1990s, agriculture failed to yield a satisfactory profit, even though he owned a relatively large amount of land and had a certain amount of 'business' experience. The family earnings decreased, and that limited the farm's further development even though it urgently required investment in new machinery (previously he had been able to freely borrowed machinery from his employer). Given that there were no longer any state subsidies and he was unable to secure a loan, his only chance of success lay in hard work and experimenting with new kinds of production (cows and pigs, coypus/nutrias, and feeding stock), only some of which eventually proved to be profitable.

Zbyšek was also helped by market instability. The collapse of his competitors and of the distribution networks in the relatively inaccessible region where he farmed made him the sole egg and sheep-product supplier within a wide area, while an increasing focus on ecological farming (which he initially chose as a relatively cheap option and later on owing to incentives supported by state policy) made expansion possible. In the last few years Zbyšek has been able to add several shops to his business, where he sells a substantial portion of his products. Thanks to specific environmental

conditions, these businesses are able to compete with large market chains; it demonstrates the fact that personal hard work and a perceptive knowledge of local conditions (including social networks) can be crucial to success. Although Zbyšek had little agro-technical knowledge and initially had only limited motivation – having been forced to start his business owing to transformation disadvantages that he felt more than most – he has succeeded in building up a prosperous family farm. The vast majority of similar Czech owners of small- and medium-sized properties, which make up roughly 13% of all agricultural businesses in the Czech Republic, have sadly not been as successful, perhaps as a result of specific local conditions or a lower level of personal involvement.

4.2.3. Property restitutions

Both cases prove that market mechanisms can be relatively successfully applied to Czech agriculture, but that they generate a kind of ‘wild capitalism’, comparable to the capitalist competition of the 19th century that Karl Marx so disliked. However, this is not a rule, as the next case demonstrates. Matěj, whose father emigrated to Canada in 1948, acquired his farm in 1993 during property restitution; during the communist period the property had been used as a non-specialised, unprofitable state farm that employed elderly and unmotivated employees. Fortunately, the new owner was able to take advantage both of the technical and marketing skills he had gained abroad and of his family’s reputation in the area as one that understood traditional farming values, such as having a feel for the land and recognising the value of family property and country traditions, etc. – essentially a family with a ‘vocation’ in the Weberian sense (though fully secular in Matěj’s case).

With the help of a considerably overpaid bailiff, well informed about local conditions, Matěj introduced a number of radical changes that affected both the workforce and the production methods. Although all the existing staff were given the chance to prove themselves, he imposed the strict rule that if an employee was not capable of doing his/her job (e.g. owing to a low level of education), if the work was not carried out efficiently, or if the employee was caught stealing, he/she would be dismissed. Over the course of the 1990s no fewer than two hundred employees passed through the farm, generally attracted not by occupational esteem but rather by salaries roughly 10% higher than the local average and accompanied by various other benefits. This relatively tough human-resources policy has resulted in a situation where the current workforce is very appreciative of the conditions in which they work (flexible working hours, relatively high wages, etc.) and the demand for workplaces exceeds the number of openings. But Matěj complains that it is not easy to invest in the development of his employees since staff turnover is still relatively high. It is fair to mention that, despite the overall success of the personnel policy, certain ex-employees are still resentful of what they saw as harsh treatment, blaming their failure on external circumstances, usually the class or national struggle, for their fates. Those who were negatively affected by the transformation are not yet able to acknowledge Matěj’s virtues.

Matěj has changed the structure of production. A large piece of land is used for improving plant growth, and animal husbandry has been restricted to ecological beef production intended mainly for foreign markets. Prosperity in the field was achieved not just by means of comparable quality and lower prices, but also by ‘external’ features, such as maintaining the stately appearance of the firm’s buildings. Perhaps paradoxically (and undoubtedly unlike his Czech counterparts), Matěj made repairs to the farmhouse and the surrounding outbuildings a priority, which helped to establish him as a ‘serious’ and credible business partner, and he ensured that relationships were good with the

various arms of local administration. He also managed eventually to improve relations with his Czech partners, with whom, in the 1990s, he had had major problems, and brought them to the kind of level he worked on with his foreign contacts, managing eventually to convince them of the long-term mutual profitability of doing business together. Establishing 'old' business values while employing modern production and marketing methods has not only proved to be a successful strategy for Matěj but has also become an example for others.

4.2.4. Foreign investors

The importance of foreign investment, along with the need for initial cooperation with someone with a good knowledge of the Czech business environment, is evident in other examples of foreign agricultural firms operating in the Czech agricultural sector. Generally speaking, there are three such types of farmers: borderland farmers, small-scale family farmers (usually owned by Dutch nationals), and large investors, including former Czech aristocrats who have had their land returned to them [Nešpor 2005: 54–58]. The following example, Holland Agriculture, is located somewhere between the second and third types.

After acquiring the property of an insolvent cooperative in the mid-1990s, Holland Agriculture solved the problem of restitution claims by acquiring only non-agricultural facilities (forges, machine repair shops, etc.) and it began manufacturing processing technology for vegetable production intended mainly for export. In 2001, one of the owners employed his knowledge of the Czech business environment to start another business, a consulting company for Dutch farmers entering Czech and Slovak firms. The development of the first company during the 1990s was facilitated by the fact that the owners wasted no energy on solving property disputes or competition problems, but launched a completely different product range which they were able to sell even to former competitors. Holland Agriculture kept on the majority of the former cooperative's employees, to which there were both advantages, such as a quick start and low sector wages, and disadvantages, such as poor efficiency, little interest in the company, and skills deficits. These problems were solved with the help of a Czech co-owner, while the Dutch management concentrated on production and distribution. Holland Agriculture is thus a combination of modern management and technologies with a traditional, family-farming character that includes good relations with other players and the local authorities, something the firm's affiliated consulting company has also managed to achieve.

The final case study relates to the contribution of capital by Dutch farmers to the Kotěhůlky cooperative during the period 1998–2002. The extremely large cooperative had had mixed financial fortunes up to this time, owing to the lack of both capital and clear management strategies. These problems arose after the former JZD was privatised through a management buyout. These new owners lacked the expertise to avoid the pitfalls of the transformation era, such as market instability, corruption, and other illegal practices, and they were unable to motivate their employees. The 'Czech approach' to transformation in this case led to poor business performance, and even subsequent management changes were not enough to pull the cooperative out of the red. At the end of the 1990s, a new, younger management team finally decided to seek foreign investment, though the 'courting' process was cautious on both sides. The new Dutch investors received about 30% of the shares in the company, positions on the board, and a certain amount of managerial power. The new management had simultaneously to familiarise itself with a business environment completely different from the one to which they were accustomed.

A major priority was improving the quality of the Czech managers, and the Dutch were not afraid to dismiss poor performers; new starters were selected by an independent personnel agency. Interestingly, certain projects introduced by the Dutch management had mixed fortunes. Dutch-style vegetable cultivation, for example, was unprofitable owing to the low margins in the Czech lands, but their independent distribution of certain products was somewhat more successful. Foreign shares in the cooperative increased to 80% after merely four years of joint management and were accompanied by a significant reduction in the product range. Whilst formerly the cooperative had grown almost everything, a decision was made to specialise in cereals and one type of vegetable, of which Kotěhůlky had become the biggest Czech producer, and livestock production was also narrowed. In addition, the cooperative commenced the sale, distribution, and maintenance of imported agricultural machinery. According to the foreign owners, agriculture as such is unprofitable in the long run and must develop hand in hand with other, related businesses, which potentially include agrotourism.

One of the crucial factors in the transformation process was a personnel policy that involved replacing local village employees with people from a more distant town, which caused a major conflict with the local authorities. Already tense relations were exacerbated when the company began charging locals whenever they borrowed machinery, the free use of which villagers had taken for granted under the communist regime (e.g. to build their own houses). Today, most do not question the new rules, but some still find them hard to accept. Some villagers still look back nostalgically on the era when 'community and cooperative was the same thing and everyone helped one another. When it was necessary, they came with a tractor and did it ... Nowadays everything is different, everything has to be paid for' (similar situations also occurred elsewhere; see Creed [1995]). The Dutch investors feel uncomfortable about being regarded as 'usurer capitalists' and are aware of the basic nature of their employees and local family traditions; they feel that they are often more considerate with their employees and business partners than the local people are amongst themselves.

4.3. Patterns of efficient strategies in the process of transformation

4.3.1. Path dependency

Meurs' [2001] comparison of the Hungarian and Romanian transformations and Verdery's study of Transylvania [2003] both emphasise that transition depended heavily on previous experience, legislation, relations, institutions, and values; there is generally no such thing as a 'market without attributes'. In the cases cited here, the success stories in the transformation process were those who had had previous experience of capitalism, either abroad or on the edge of what was legal under socialist law in Czechoslovakia. The actions of management were crucial; their technological and contextual (social, economic, or political) views had to be broad and open to change. Even Zbyšek, the private farmer, had some form of experience with 'capitalism', while the old management at the Kotěhůlky cooperative failed owing to their inability to accommodate new ideas. On the other hand, foreign entrepreneurs (including returned emigrants) lacked knowledge of the Czech business environment, which was significantly different from the western model, at least during the first few post-communist years. Without substantial help from local colleagues, either from the very beginning (Holland Agriculture) or after some time (Kotěhůlky), these companies would probably not have overcome the administrative obstacles or formulated the right business strategy.

A family farming legacy alone, and the values connected with that, even if combined with good technical skills, would not have sufficed during the transition period to wholly change the business environment; the same was true in the case of returning emigrants to Czechoslovakia after the Second World War. There are successful cases of 'kulaks' not just returning to their property but also regaining their former social prestige, for example in Slovakia [Torsello 2003: 97] or Hungary (L. G. Miller and P. Heady in Hann [2003: 257–292]; Thelen [2003]), they are rather exceptional [Hann 2003: 12]. The cited studies emphasise that return was impossible owing to the lack of capital necessary for renewal, and above all owing to the absence of social and symbolic capital. These resources were not mobilised by the 'kulaks'; they were possessed by the old-new cooperative managers instead. In such cases, people with no farming tradition but able to utilise existing social networks and their ties to local markets and political authorities from the communist period were more successful. The subsequent weakening or rupture of ties to the past in the Czech Republic favoured the more engaged newcomers.

The problems of Czech cooperatives and state farms were a consequence of the substantial stagnation in the agricultural sector during the normalisation period. Later, attempts to correct the damage caused by collectivisation were made during the transformation and privatisation process, but in many cases, a lack of business skills and competitive weaknesses served just to exacerbate the problems.

Cooperatives comprised of the 'land owners' and other participants were required to settle the debts of property restitutions, thus holding back their development, or they had to search for compromises to satisfy the interests of at times hundreds of shareholders, most of whom knew nothing about agriculture [Majerová 1992: 35–36; cf. Hudečková and Lošťák in Kandert 2004: 142, 144–147]. With the exceptions of restitutions themselves (Matěj) and small-scale farmers on their own land (Zbyšek), successful firms tried to reduce the number of landowners.⁴³ Research has demonstrated the emphasis foreign colleagues accorded to land ownership and property relationships during the transformation period [Hann 2003: 2–3, 23–29], though de-collectivisation occasionally led to the emergence of a 'non-agricultural peasantry', who made hardly any use of the land. Farm husbandry on someone else's land (e.g. owing to the low rents, as noted above) was one way of reducing the number of legal owners, at least in effect; in the case of Romania, Verdery refers to it as effective ownership [Verdery 2003]. The farmers on someone else's land are, in fact, neglecting the interests of the legal owners, but they remained unpunished.

However, it must be said that absolute conformity to the rules and terms of the Czech agricultural sector (though they are changing) was not observed in any of the case studies. A certain amount of rule-bending has ironically been the very key to success. Whether it was the well-timed entry into an unknown and potentially risky environment, as in the case of foreign firms, or a reduction in the number of landowners, the use of non-standard management and marketing strategies, the establishment of a network of trust among businessmen, or some other means, the successful protagonists seem to have gained a substantial advantage over their competitors.

43 However, research in Russia emphasises the democratising of decision-making, even in situations where almost nothing can be allocated or managed [Perrota in Leonard and Kaneff 2002: 125]. This is undoubtedly connected with the stronger Russian emphasis on collective values and property, which is absent from other post-communist countries [see also Hann 2003].

4.3.2. Finances and management

The progress of Czech agriculture was inhibited by a persistent lack of finance, which could be solved through greater personal involvement only in the case of small-scale family farms, and even there only partially (Zbyšek). Former JZDs and state farms tried to solve these problems by means of non-financial agreements that made use of existing social networks, but this 'Czech way' of doing business proved counterproductive owing to widespread corruption. One radical solution was therefore the entry of foreign investors, who were able to take control of the finances and management strategies. Petr tried unsuccessfully to employ this strategy at the beginning of the 1990s and ultimately had to wait for a capital injection from a trade company to solve his financial problems. In the second half of the decade, foreign investment became more of a realistic option, offering not only economic but also social and cultural forms of capital. The success of certain farms has been due to the large amounts of capital available to foreign investors, while Czech ownership in similar cases has led to long-term inefficiency or even bankruptcy. Eventually, however, improved business conditions allowed the banks to increase investment in the sector and, on joining the EU, agricultural subsidies once again became available.

The characteristics of successful firms include the efforts of management to restructure production, the introduction of technological innovations, and the establishment of new socio-economic relationships both between firms and within them. All the firms had to reduce their range of products or radically change their production programmes, focusing on certain high quality products, which sometimes meant they had a significant output of non-agricultural products. Only the really large enterprises were able to introduce a wider production range, but they only did so after having previously reduced their product range (Petr's cooperative). In this regard caution on the part of the firms is justified, considering the number of failed attempts in the 1990s to widen the range of production, often following western advice (Kotěhůlky). It is clear that social capital and technical skills are not easily converted. Indeed social capital might not work at all when transferred to a different environment.

All the winners, however different their backgrounds, size, and capital opportunities, have had to cope, to some extent, with problems with the distribution of their products as a result of the instability and high profit margins of distribution chains in the mid-1990s. Consequently, there has been a tendency to combine production and distribution in a manner that only partly resembles Western European practices (Czech firms are trying to establish their own distribution chains). Owing to the lower costs of domestic production, some firms have attempted to expand into western markets, though owing to market overproduction, legal restrictions, or supply surpluses resulting from cheaper imports (e.g. from Poland) they can usually offer only non-agricultural goods or bio products.

4.3.3. Socio-economic relations

Firms have tried to formalise the relationships between them and make them more transparent. Their aim is to entirely abandon illegal practices and the networks that connect economic, political, and administrative players, that is, to move on from the era of 'wild capitalism'. In this regard, western firms, owing to the pressure they exert on the system, provide an example, as they do with respect to the gradual establishment of networks of mutual trust and long-term reciprocity. However, it is still the case that Czech firms, if they managed to survive the 'wild capitalism' years, are vigilant of

their neighbours and hard on competitors. They have no interest in anything other than purely business cooperation. According to research, “in the opinion of the management of [Czech] firms, cooperation between farmers (and between farmers and processors) is virtually impossible; on the one hand, there is brutal competition between them ..., and on the other, the structure of agricultural enterprises (created during the post-1989 transformation period) is very asymmetrical in terms of resources. Company economic power starts from this point and small companies have almost no chance against their larger counterparts.” [Hudečková and Lošťák in Kandert 2004: 153, 158]

Structures and relationships inside companies are surprisingly similar to those between companies in that all the companies have had to cope with low rates of productivity and flexibility and the limited involvement of employees in the firm’s business. These problems were addressed through a combination of positive and negative incentives. The winning domestic entrepreneurs were thus in many cases harder and less willing to make compromises than their western counterparts or returning emigrants. Disloyal employees were dismissed, often to make an example to the rest of the workforce, while new employees were attracted by relatively higher wages and by above-standard working conditions and the status connected with agriculture in general and the firm in particular. The process of change in the workforce is still in progress in all the companies surveyed and the key to a successful conclusion lies not only in adequate remuneration based on merit, but also in fostering changes in attitudes towards work and emphasising personal responsibility and a relationship to the firm, as well as traditional professional pride in farming. Owners of successful firms are becoming more and more convinced that such characteristics cannot emerge in an atmosphere of fear and worry; they must become an integral part of the employee’s work ethic.

With respect to the recruitment of new workers, it must be admitted that Western European agricultural companies face similar problems to those in the East. There are a whole range of factors that make it difficult for them to attract and then keep young employees, including wage rates in the sector, its traditional nature, and its family-based character. Also, many young people reject farming as a career because of the hard work involved and the lack of entertainment available in the countryside and remote townships. Research shows that recruitment is easier for those firms that have access to good transport connections to nearby larger towns (Matěj’s farm and the Kotěhůlky cooperative) and thus are able to attract urban workers, though geographic labour mobility is quite low among the Czech population as a whole. Among a certain part of the urban population, those who derive a sense of strong personal satisfaction from this kind of work, there even seems to be a strong desire to work in agriculture, but transportation difficulties and the lack of infrastructure are often serious obstacles. The future improvement of both transport links and general infrastructure is essential not only for employee recruitment but also because of the huge influence it has on the ability of farms to widen production and marketing opportunities and on the growth of agrotourism. Such activities, as well as ecological farming and ecological land cultivation are still generally a thing of the future, as at present only foreign entrepreneurs engage in them.

Cooperation with the local authorities and/or other organisations has played an important role in general business development. The 1990s saw conflict between new agricultural businesses and local officials owing to the unrealistic demands of the local administration and owing to the views of local inhabitants themselves, who shared historic notions about the farms being their property and were generally hostile towards the new, non-local managers. However, these relationships have gradually improved over the last few years, as the socio-economic survival of the countryside is hardly

possible without them, and locals have begun to appreciate the fair and transparent behaviour of the new companies towards their employees and their surroundings. In this respect, the town/country dichotomy may also have changed to some extent, boosting the villagers' self-esteem and sense of community; this finding has also been emphasised in research in other post-communist countries [Leonard and Kaneff 2002: 180ff.; Verdery 1996: 127]. Although these kinds of symbolic and social changes in the Czech countryside are still in the early stages, the need for them is widely accepted by both entrepreneurs and local authorities.

4.3.4. The 'peasant ethos'

Almost all of what has been discussed above is evidence of the strong socio-cultural foundations of agricultural entrepreneurship, which is often more important than particular economic strategies. This fact was soon realised by successful business people, especially foreign investors and returning emigrants. It has never meant an absolute acceptance of the habits and social networks that originated in the communist era but rather their gradual transformation. It would be equally wrong, however, to overestimate trust in the impersonal, seemingly automatic market mechanisms stressed by the architects of Czech economic reform. Only those firms and individuals that were able to resist both succeeded. These winners were usually able to connect the need for agricultural-technological and marketing modernisation with the 'traditional' ethos of the farm worker, as defined by Weberian vocational ethics. Although P. Leonard and D. Kaneff tried to deconstruct this idea as an unreal and prevailingly urban conceptualisation of village(r)s [Leonard and Kaneff 2002: 11], the majority of other researchers in this field have emphasised its importance in pre-communist agriculture and the subsequent dismantling of this concept.⁴⁴ This study should be included among them.

From this point of view, the transformation of agriculture from vocation to profession should be included amongst the most painful results of collectivisation (see also Creed [1998: 273]). The Italian Marxist A. Gramsci talked in the same way about the alienation of former owners to their means of production, a fact proved in the current milieu by the low level of interest in property restitution [Hann 2003: 117–142, 171–188]. The reason that the economic troubles of Bulgarian agriculture, for example, did not lead to the establishment of private enterprises was not just the lack of capital and other difficulties cited by farm workers but also and primarily their own inability and their fears of potential losses. Purely utilitarian-economic arguments prevailed over normative-affective ones [Creed 1998: 246–255]. (The deontological theory of economic behaviour is set out in Etzioni [1995].) This research arrived at similar conclusions, but it also reached another one. The difficulties in restoring the social, symbolic, and moral dimensions of the farming tradition in the domestic population can be emphasised, but the possibility of importing them does exist. Although the farming ethos had almost died out in Czechoslovakia, with the exception of a few farmers who benefited from restitution,⁴⁵

⁴⁴ It was not just external factors that led to the destruction of the peasant ethos. External factors that can be mentioned include ones that were enforced and ones that were not (e.g. modernisation), while internal factors included generation change (A. Cartwright in Hann [2003: 171–188]), gender differences [Thelen 2002], and others. The same may be true in the case of the potential future restoration of a farming ethos.

⁴⁵ They were studied by Lapka and Gottlieb [2000], and in the case of Hungary by L. G. Miller and P. Heady [in Hann 2003: 257–292]. In the case of one Slovak village, D. Torsello maintained that social trust existed, but the 'kulaks' were excluded from it [Torsello 2003: 97–99], and moreover he described it mainly in negative terms, as a sense of loyalty based on fear not on internalised ethical norms [ibid.: 224–225].

foreign-based firms seem to have been able to tap into it, while, conversely, the greater part of the domestic agricultural sector has yet to take advantage of it.

Restoring these values is possible in the case of small ecological farms, which are supported by an ethos of anti-modernisation and anti-urban defiance (the spread of which has been discussed by some authors, e.g. Blažek, Librová, and others). But it may also be achieved among the new, city-born employees at large-scale farms who have been provided with models for this kind of spiritual development. These models may come from western owners, and the small-scale family farms they own in their country of origin, who were able (and wanted) to adapt to 'industrial' agriculture here without losing this ethos and the values that go with it.

The impact of socio-cultural capital and institutions on business must not, however, be idealised. This research covered only successful firms, and even in their case the resources that could be mobilised from membership in social, symbolic, status, educational, and even national groups could have operated counterproductively or could have been used in a purely utilitarian way, without any regard for other players or social benefits. Czech transformational capitalism often appeared harsher than its western counterpart, rather like capitalism seen from the Marxist viewpoint of class struggle. In many cases (e.g. among the old-new managers, local administrators, etc.), existing social capital obstructed the creation of new social capital, impeded cooperation between and within firms, and prevented the establishment of positive ties with the civic, social, and institutional environment.

4.4. Conclusion

The current situation that Czech agriculture is in derives from the various processes that were at work during the 20th century, including land reform and the substantial changes affecting the self-esteem of farmers. The modernisation of the Czech countryside and the concept of 'rurbanism', which originated along with it, had certain positive aspects, but differed from wider European developments. That is why these changes should be easily reversed with the participation of farmers themselves. The introduction of collectivisation was accompanied by many obvious ills, but it also created large parcels of land that could later be transformed into modern agricultural companies. A certain amount of modernisation took place during the communist regime and this has continued since the regime fell. However, collectivisation also had unpredicted results. In a society that theoretically upheld social justice, it was impossible to sustain the efficiency of agricultural production, whilst the collectivised system simultaneously diminished the traditional values and symbolic ties of the peasantry.

Post-1989 rectification of the damage, which involved the restitution of property to the original owners, was incapable of bringing about any substantial changes because the vast majority of returning owners were not interested in agriculture. Instead of extensive restructuring and the costly introduction of modern technologies and management styles the situation of farms was worsened by restitution and the abolishment of state subsidies. The Czech government tried to change domestic farming to make it resemble the western model, but it adopted an unsuitable approach that combined liberal attitudes (no subsidies) and economic nationalist protectionism (a ban on foreign investment and ownership of land). The existing JZDs and state farms (which were much larger than western farms) that chose to transform themselves were successful in the short term, but most of them were not able to survive in the new conditions for long and eventually ran into difficulties. The second half

of the 1990s saw an improvement in the situation when the specific 'Czech way' of transformation and purely neoclassical economic policies were abandoned. Foreign investment was allowed into the agrarian sector and a distinct dividing line arose between the prosperous farms and the rest.

The success of business strategies was based on personal and organisational path dependency, the nature of existing institutions, the ability to mobilise resources, social and symbolic capital, and many other external factors (sometimes random). Nevertheless, it must be said that 'successful ploughing' has been the preserve of 'foreign sons' in particular, coming either from a non-agricultural background or from abroad (or at least those who found inspiration there). Of course, there are also many cases of successful, purely domestic transformations, which in absolute numbers exceed those with foreign involvement. But the relative success of the latter is still thought-provoking. They were faced with many difficulties, including an unfamiliar environment and, in some cases, strong resistance from that environment. So how did they manage to succeed to such an extent? A mixture of technical, managerial and market innovations, combined with 'traditional' peasant work and ownership values was the successful strategy. The ethos that lies behind this combination is today capable of changing Czech agriculture in terms of land cultivation, ecological farming, etc., but the fact remains that this characteristic is still more common among foreign than domestic agricultural companies.

One other fact should be mentioned. Just as farming is differentiated into 'industrial' mammoths, which favour modernisation and rationalisation, and small farms, which prefer local and regional bases, certain shifts have also occurred in European agricultural policy. The extensive subsidies that ensured high employment and national self-sufficiency are slowly becoming a thing of the past, as policy is shifting towards a distribution of funds based on a regional principle or in favour of smaller farms (which are more common in the EU-15). At the same time, a social interest in organic farming, the countryside, alternative lifestyles, sustainable development and the like is on the rise, and all of these concerns are in some way connected to the 'traditional' values outlined above. Small-scale family farms that are economically unprofitable may well survive alongside the industrialised giants. Therefore, the crucial question for Czech agriculture (and the Czech countryside as a whole) is whether such a differentiation will take place here or not. It is virtually impossible (and it would be senseless) to try to close existing large-scale farms, but it would be equally wrong to strangle the growth of small ecological farms in favour of more efficient giants, as unintentionally happened in the 1990s. If that were to happen, Czech agriculture would not be helped by the new European policy. On the contrary, it would contribute to the creation of a sort of 'two-speed Europe', in which the Czech lands would become just a supplier and a rubbish repository, rather than being a respected and equal partner.

5. The Gradual Evolution of the Czech Entrepreneurial Elite⁴⁶

Vladimír Benáček

Based on the Czech experiences of post-communist reforms, the aim of this chapter is to shed light on why the early stages of transition in all post-communist societies offered so many opportunities to the *nomenklatura* and why access to capital ownership was unable to avoid fraud or even capital-destructive transactions. Special attention is given to the corrective processes of economic readjustments when the social order converges gradually to a more standard capitalist organisation. The main characteristics of these evolutionary processes were: parallel restructuring at economic, political, social, and legal levels; the high speed and the intensity of changes that were full of bends and blind alleys; the peaceful external environment; and non-violence in domestic negotiations. Changes were particularly intensive in the eight EU accession countries, and the European Union played a very important disciplining role in that respect.

Even though in the Czech case there were at least three distinguished social groups competing for a position among the new entrepreneurial elite, the *nomenklatura* (i.e. the list of persons checked out by the Party to fill important positions in all sectors of administration) and the factors behind their efforts to become the new entrepreneurs occupy a specific place/warrant specific attention. The evolution in the structure of entrepreneurs above all depended (and will depend in the future) on their access to capital. This will be our point of departure.

5.1. Entrepreneurs and capital

Before going into more detail, let us start for inspiration with an old joke about the six miracles of communism. This joke may be a considerable exaggeration, but its anecdotal wisdom also reveals that in practise communism required a great deal of entrepreneurship for each 'miracle'. It is a paradox that new capitalism in post-communist countries owes much to this legacy, for better or for worse:

- 1) Everyone is employed – but no one works.
- 2) No one works – but the output target is always fulfilled.
- 3) The output target is always fulfilled – but there is nothing in the shops.
- 4) There is nothing in the shops – but people have everything they need.
- 5) People have everything they need – but they curse the regime.
- 6) They all curse the regime – but in the elections they all vote for the communists.

46 An earlier version of this chapter was published as an article in *Sociologický časopis/Czech Sociological Review* 42 (2006), No. 6, pp. 1151–1170 under the title 'The Rise of the "Grand Entrepreneurs" in the Czech Republic and Their Contest for Capitalism' [Benáček 2006].

The communist system of social organisation was indeed a system irreconcilably different from every stream of capitalism [Kornai 1992]. In comparisons of the two systems it is usually the economic approach that dominates over the political and the social. The diametrically different roles of capital, private property, markets of factors and competition among enterprises are what distinguish and set the tone of the institutions of capitalism and socialism that exist today.

Unfortunately, in contrast to abstract systems, a superficial observation of reality may lead to confusing conclusions once it is discovered that both systems were mixed [Samuelson 1967]. Therefore, some seemingly similar elements, like the existence of money, wages, private farming, and retail shops in socialist systems, and the existence of state firms or the tricks of relaxing hard budget constraints in capitalist systems [Maskin and Xu 2000] may evoke the idea of convergence. The comparison of real systems requires a multidisciplinary approach. The essential differences in economics should therefore be extended to politics (e.g. to the study of democracy) and also to sociology, which looks at the differences in social structures connected with capital ownership and entrepreneurship.

In history the accumulation of capital has played a crucial role in establishing the entrepreneurial class [Kalecki 1954]. Since this was not possible in the communist economies, there could not be any entrepreneurial class. Thus, it was only once institutions that protect the private ownership of capital came into existence in that entrepreneurs could be separated from the owners of the labour force, including the managers. The entrepreneurs could then hire and fire labour and managers as wage earners. Nevertheless, even though the ownership of capital is a necessary precondition for becoming an entrepreneur, it alone is not enough. According to Marshall and Schumpeter, entrepreneurs are capitalists endowed with the capacity to organise and innovate, thus becoming the agents of constructive destruction as a crucial condition for economic development. According to Eswaran and Kotwal [1989], it is the role of entrepreneurs to act as decision-makers and risk-bearers in relation to capital yield and its reproduction and accumulation. Therefore, entrepreneurs are not merely passive nominal owners of capital (as, for example, some rentiers), but deliberately open their ownership position to the uncovered risk of its loss by allocating it to new innovative ventures.

The definition of an entrepreneur best suited to this study is Leibenstein's [1995] description of an entrepreneur as an agent endowed with capital and with organisational, innovative, and managerial skills that allow them 'to make up for market deficiencies'. It is not the 'invisible hand' of the market but the minds of the very visible entrepreneurs who bear the burden of capitalism and extend its frontiers beyond the horizon. The more deficient the markets are, the more toil and risk are left to be borne by the entrepreneurs. Given that transition is characterised by deficient markets, entrepreneurship must be taken as a crucial factor of transition. This devilish 'detail' has been largely overlooked in economics because the assumption has been that markets are perfect and self-enforcing, and that the entrepreneur is just a mediator between supply and demand. In contrast to axiomatic economics, management studies adhere more to the concept of Marshall and Schumpeter, which treats entrepreneurship as the fourth production factor. Given the markets, competition and private property, it is the entrepreneur alone who is supposed to orchestrate their synergy and generate growth.

To apply a sociological perspective to this question, we can say that the core of authentic entrepreneurship is the ownership of economic (financial and physical) capital, but accompanied necessarily by cultural (human, entrepreneurial, ethical) capital, which facilitates the management of economic capital. As an auxiliary feature, external to the market system, entrepreneurship can also be sustained by social capital [Eyal, Szelényi and Townsley 1998: 23]. Its role varies according to the market structure. If the markets are perfect, the role of social capital is low; if the markets are riddled with imperfections, its role rises sharply, to the point of incapacitating the market. In the literature, social capital is often referred to as network, relational, or political capital. Its association with social hierarchies, politics, lobbies, and vested interests is obvious. In this study the subdivisions of three basic kinds of capital will be considered as synonyms.

The economic theory of specialisation based on the choice of effective inputs, so-called factor proportions theory, is intrinsically associated with the endowments of factors. According to the Heckscher-Ohlin theorem, an economic activity will incline towards efficiency in achieving its productive aims only if it is making more intensive use of a factor that the country is better endowed with relative to other countries [Jones and Kenen 1984]. More parallels can be found here. A change in the endowment of some factor (relative to others) is explained by the Rybczynski hypothesis, which implies that such a change will lead to a shift towards the provision of such commodities that use the growing factor more intensively. If applied to the case of the high endowments of a country with relational capital (relative to devalued economic or human capital), we should expect a shift to those activities that depend on the use of such capital; for example, to the suppression of market-based competition and to a rise in competition based on mobilisation of bureaucratic clout and the use of crony-networks.

It is the ownership of economic capital that defines an entrepreneur, whose role should be contrasted with that of managers, who possess human capital only. Thus the managers must act as agents, that is, as the labour hired by entrepreneurs, who act as principals [Pratt and Zeckhauser 1985]. We should also be able to distinguish between two levels of entrepreneurship – big and small. The grand entrepreneurs are thus large owners of capital holdings that employ hired labour, meanwhile the latter are small capital owners, who can just employ their own or their family's labour force. From the legal point of view the grand entrepreneurs could be defined as the statutory owners of limited liability companies or the owners of a controlling interest in joint-stock companies.

In this chapter we will concentrate on the evolution of grand entrepreneurs in a specific transition country (Czech Republic). We will treat them as the leading social agents of capitalism – the socio-economic elite, in popular parlance referred to as 'the top hundred thousand'. Special attention will be devoted to the processes through which they emerged in the different stages of the Czech economic transition, including the phenomenon of the transformation of the former communist elite into the new elite of grand capitalists.

Kornai [2005] recently came out with one of the most informative studies of transitions. His analysis is unique for extending economic methodology into historical, social and political contexts. Kornai has characterised developments in Central Europe and China as 'an unparalleled success story', despite the 'many mistakes and disappointments'. It was unparalleled in historical comparison because it was complex (economic, political, social and legal) and internally and externally peaceful in nature, and it achieved its goals with unprecedented speed. In this chapter we will look at a similar theme of the drivers behind the transition, viewed through the prism of evolving entrepreneurship.

5.2. Entrepreneurship and the end of central planning

The fall of communism in Europe is often explained in journalistic abridgement as a combination of three factors:

- a) the total economic collapse of these countries;
- b) a political collapse resulting from their surrender to the pressure of US military superiority;
- c) civil resistance instigated by the emergence of dissidents as the recognised leaders of the public's craving for free markets and private property.

From the above it can be concluded that the communist system collapsed because of its total entrepreneurial failure in terms of both economic governance and political governance at the levels of the communist party, the police, and the military. That may sound logical given that, according to the strict definition of 'entrepreneurship', no entrepreneur could exist in a society without private capital ownership. The liabilities of ownership rested with the impersonal state, and the personal accountability of communist managers concerned only their wage contracts.

However, the absence of private capital could have been approximated by the existence of 'shadow' (informal) capital ownership under socialism, which allowed the incumbents to appropriate a part of the capital yield. Although such a system operated at a level below the economic optimum, its performance was considered 'satisficing', that is, not so low as to cause the system to break down. Historical observations of the period between 1917 and 1989 would tend to support this assumption. In another words, socialist quasi-entrepreneurship allowed the system to survive even the kind of economic and political blows that would otherwise have brought the capitalist system to a collapse.

At the same time, the third of the three factors listed above could be interpreted as a kind of 'entrepreneurial' victory, wherein civic organisation and dissident leadership outperformed the state. This would imply that while the communist system was devoid of entrepreneurship, the skills of entrepreneurship were developing in the communist opposition. Unfortunately, as discussed, for example, by Kornai [2005], this wishful conclusion is counter-factual. The communist dissident opposition was generally marginal – more a symbol than an organised force. Even its strongest manifestations (like in Poland in the 1980s) would not have had the strength to overcome the combined forces of internal and external communist power on its own.

Even though the failures of communist economic management everywhere were very serious, its system of a half-blind central command should have been able to achieve political integrity, the supply of basic consumer and investment goods, an influence over developing countries, and a strong military and police deterrent to opposition and to secure the continuity of communist rule – provided that those were the shared aims of the nomenklatura elite.⁴⁷ Surprisingly, this was not the case. The bottom line is that the massive abandonment of the communist economic system cannot be explained as a result of just an offensive onslaught from the trenches of external and internal opponents. There must have been co-action on the other side, too.

⁴⁷ In this chapter, 'nomenklatura' refers to the non-dissident political, economic, and cultural elite in the communist system. We will concentrate predominantly on the economic (managerial) elite, distinguished from the political (apparatchik) elite.

What first launched the transition in communist countries were the pro-market reforms – however superficial and non-capitalistic these attempts at goulash communism may have been. These experiments created openings for clandestine progress to be made towards socialist ‘entrepreneurship’ at every level of the economy, including central planning. The nomenklatura was then able to reinforce its long-held status as a class of privileged bureaucrats by conferring entrepreneurial tasks on itself. The ‘old guard’ of the nomenklatura then gradually resigned, as if it were obvious that central planning, public property, and totalitarian ‘democracy’ were a dead end [Kornai 2005].

Within two years from the fall of the Berlin wall in 1989 this constellation of domestic pressures resulted in an escalating series of political collapses unparalleled in human history. These coups, achieved so easily, were labelled ‘velvet revolutions’. Since the hypothesis that the communist nomenklatura were completely overpowered from without has been rejected, the motives for dismantling communism and the agents behind those motives must be explained. This contest for control over the reins of economic power will be analysed here from a sociological perspective, by examining the social structures of entrepreneurs and testing the hypothesis that the communist nomenklatura in managerial positions had a tempting incentive to become the new entrepreneurs. An alternative approach would be to study the changes in political positions, as was done by Machonin et al. [2006: 53–68], which also contained an element of entrepreneurship. Both perspectives overlap and reflect similar processes and outcomes.

The massive involvement of the nomenklatura in privatisation in all transition countries suggests that it did not come about by accident. It was privatisation that elevated the nomenklatura to the status of real entrepreneurs, notwithstanding the paradox that it meant they accept capitalism. This explains why the fight for ownership through privatisation became such an obsession in post-communist economies and why the more natural approach of building an authentic private sector by supporting *de novo* firms, as occurred in China, was not adopted [Sato 1995]. Our hypothesis is that communist governance could not exist without some islands of entrepreneurship, and it was there that the dormant acceptance of capitalism was also present.

Running the communist system required a great deal of entrepreneurship – in order to survive, management had to work through and take in a chaotic amount of information about cost efficiency, and the structure of a gluttonous final demand had to be ranked by priorities, all of which were in conflict. Managers were therefore required to compensate for many of the market’s deficiencies and engage in entrepreneurial behaviour, as described by Liebenstein [1995]. But what kind of entrepreneurship would this be? Baumol [1990] provides a clue, noting that human entrepreneurial activities are present in every society. The creation of entrepreneurial capital is a part of human nature, and it develops in all circumstances, even if its instruments are constrained. The problem different civilisations face, therefore, is to determine under what incentives and in which alternative economic fields (productive, redistributive, or destructive) entrepreneurial capital is to be allocated.

Baumol’s classification distinguishes between the Marshallian-Schumpeterian concept of productive entrepreneurship on the one hand and its redistributive or destructive alternatives on the other hand. The crucial role is then played by market institutions, which must provide incentives preventing entrepreneurs from engaging in redistributive, predatory, or destructive ventures. The initial inclinations of early communist ‘entrepreneurship’, aimed excessively at exploitative, redistributive, and destructive activities, were gradually curbed by the post-Stalinist reforms.

Therefore, however bizarre the organisation of the communist economies may have been, there was also some amount of entrepreneurship to be found in them, regardless of the fact that the private ownership of capital was strictly limited.

5.3. The social structure of entrepreneurship before and during communism

The motivation towards entrepreneurship in the formerly Soviet-dominated countries has two sets of roots: capitalist and communist. With regard to the former, Central European and Baltic countries were able to draw on the cultural principles that their societies were based on two or three generations earlier.

The legacy of Czech capitalist consciousness during the communist era can be traced back to František Palacký (1798–1876), Karel Havlíček (1821–1856), and Tomáš Baťa (1876–1932), who were liberals with a cosmopolitan background and stressed the need to strengthen the vitality of the Czech bourgeois in opposition to local religious, nationalistic or agricultural sentiments, an emphasis common shared by conservatives at that time. In 1913 the Czech Lands were the most industrially developed part of the Hapsburg Empire, competing technologically and commercially with the most advanced countries in Europe. The brand names of Škoda, Křižík, Kolben, Baťa, Avia, Jawa, Tatra, and Živnobanka were the entrepreneurial flagships of international competitiveness. This trend continued during the period of Czechoslovak independence in 1918–1938. In 1948 the Czech Lands had the most competitive economy of Central/Eastern Europe, with a long tradition of openness to the world [Benáček 2003]. The following principles characterised Czech society and shaped its economic development before 1939 [see de Ménil and Maurel 1993]:

- Confidence on democracy;
- Combining market competition with foreign trade controls, cartels, and bureaucratic regulations;
- A restrictive monetary policy and convertibility;
- The enforcement of private property rights;
- A liberal attitude towards religion and other nationalities;
- Competition between Czechs and the local German and Jewish minorities;
- Intensive free trade, mainly with the country's Western and Southern neighbouring countries;
- The division of labour and specialisation in labour and human capital-intensive industries.

It is interesting to notice how within just three years (1990–1992) Czech society was able to re-embrace these principles, which external political forces had been trying to suppress systematically for fifty years. The legacy of capitalism and the memory of self-reliance were most useful in situations where workers had to resort to moonlighting and bartering to support themselves. This penurious situation was a result not just of the shortage of products but was also due to the fact that employment in the nomenklatura hierarchies was not open to everyone on the basis of talent.

An important factor was that it was impossible to make use of the complete national stock of human (entrepreneurial) capital. The command system lacked the appropriate incentives for this – for example, higher returns on its higher endowments were not a significant part of the official remuneration system. Therefore, business skills were for the most part not an attribute of the nomen-

klatura, but were used either in retail trafficking or in an informal system of providing friends with 'do-it-yourself'⁴⁸ services or items in exchange for services and goods in kind. The entrepreneurial skills of the shadow economy were often frittered away by high transaction costs on the exchange side and by limited access to technology. Nevertheless, these activities were a valuable form of entrepreneurial training that could be useful once small business was liberalised. Owing to internal barriers, which varied in nature between sectors and regions, the legacy of capitalist entrepreneurship in communist countries was spread asymmetrically throughout society. This had a serious impact later on.

The legacy of 'communist entrepreneurship' affected state bureaucrats and party apparatchiks (together the 'nomenklatura'), who also had to invent the most bizarre tricks in order to force the unviable system of central command to perform. It was not altruism but the motivation to attain their private 'residual claimancy' (i.e. rents) that actually made their activity more resemble entrepreneurship. The Brezhnevian style of corporate management required the activation of personal initiative and innovation, however absurdly they were manifested in both process and outcome. The management of enterprises had two options: either to focus inwardly by pursuing efficiency or outwardly towards negotiations with vertically superior bureaucracies.

The known lack of microeconomic rationality in the system of central planning [Hayek 1935] meant that efficiency and innovation could only be managed by means of some rudimentary principles, such as minimising queues, saving on material input and labour, or imitating products and processes used in market economies [Kornai 1980]. As for the outward focus, the objective was to bargain for a softer output plan or a higher quota of inputs. The latter was a sophisticated entrepreneurial treat, where the gains were high, and they could be used to build up powerful private relational capital [see Bezemer, Dulleck and Frijters 2003; Blanchard and Kremer 1997].

As the opportunities for official (and unofficial) accumulation of wealth widened, starting in the 1970s, socialist millionaires began cropping up everywhere. If these quasi-entrepreneurs fulfilled the plan target and showed sufficient loyalty to superiors, they were given a free hand to exercise power over resources, staff policy, and bonus remuneration in the economic unit they oversaw within the hierarchy. On the same horizontal level of hierarchical bureaucratic subordination these managers had the powers to collude with other 'partners' to form cartels, information asymmetries, and political coalitions, which liquidated potential interference in the production, distribution, or planning processes. As central planning gradually and naturally evolved, it turned into a system in which agents and informal coalitions in the productive lower ranks of the command hierarchy controlled their principals in the upper command of formal subordination [Mlčoch 1990].

The resulting socio-political antagonism caused by different relationships to entrepreneurship can be identified with three social groups. Based on analyses from previous studies [Benáček 1994, 1995], we will refer to them here as 'marketeters', 'nomenklatura', and 'outsiders':

48 The reference to 'do-it-yourself' or DIY in Eastern Europe, as in all underdeveloped market economies, is more than mere self-service and a penchant for tinkering. It also connotes an informal barter economy among closely associated people, which exists because money, markets, and private formal exchanges fall short in the ways they operate. Thus, local Czech DIYs can best be described in local slang terms; in the Czech case, as 'kutilství'.

- (i) **Marketeers:** private farmers, repair workers, artisans, tradesmen; catering and hotel staff, cab drivers, foreign exchange touts, greengrocers, used car dealers; shop managers, shop assistants, stock keepers; entertainers, artists, top sportsmen; administrators of queues, bureaucrats issuing licences, certificates and permits; crime ringleaders, etc.
- (ii) **Nomenklatura:** directors of companies, their deputies, heads of divisions or financially independent units; paid party apparatchiks, high-ranking bureaucrats at ministries, district and municipal councils; high-ranking officers in the army and the police.
- (iii) **Outsiders:** people with few obvious entrepreneurial aspirations, active mainly in 'do-it-yourself' activities. However, there was a large middle-class sub-group with cultural capital among their ranks: doctors, engineers, teachers, computer operators, scientists or clerks, whose entrepreneurial skills could not be used under the communist system.

5.4. The mechanism of communism's demise

Even though each of the thirty-one post-communist countries in Europe and Asia had a different mixture of conditions leading up to the transition, the processes in the countries of Central and Baltic Europe converged towards very similar outcomes. The crucial factor in the demise of communist socio-economic organisation can be found in the internal demand for the trinity of freedoms that the communists could not provide:

- civic freedom (like freedom of speech and travel),
- political freedom (democracy),
- economic freedom (free enterprise and private property).

While the communist opposition comprised of the outsiders called for the first two freedoms, it was the communist economic elite that realised the potential for transforming their informal access (quasi-ownership) to state-owned capital into formal legal ownership of economic capital. The instruments for doing so lay in their dominant 'ownership' of relational capital and in the use of their better access to cultural (human and entrepreneurial) capital [Sik 1993]. This kind of development is in line with the concept of capital conversion elaborated by Bourdieu [1985], and later applied in the analysis of the transition of Czech elites [Matějů 1993a; Večerník 1996; Eyal, Szelényi and Townsley 1998]. The public's daily encounter with the surrounding Western culture and businesses, the dual roots of entrepreneurship, and the elite's possession of three types of capital combined to offer the people a vision of transition to all three freedoms. However, in connection with transition each social group had a different target and different prerequisites, though they were all able to agree that some kind of transition should be undertaken and to act accordingly.

The role of indigenous elites with entrepreneurial expectations in domestic political shake-outs is therefore obvious. In order to maintain their medium-term objectives it was essential that they avoid any violent confrontation of power with other social groups – their potential allies. All of them were aware of that. Thus, with the exception of Yugoslavia, the transition of power proceeded without any large-scale armed intervention. In exchange, the communist nomenklatura did not lose access to the processes of privatisation, entrepreneurship, and political change in any of the transition countries [Benáček 2001; Winiecki et al. 2004].

The co-action of domestic elites in the ranks of the nomenklatura during the early stages of the peaceful dismantling of communism was essential because elites are more efficient in organising collective action than the public. The ownership of human and social capital by the nomenklatura became a valuable contribution: it contained the risk of economic breakdown and guaranteed a smooth break-through. Thus the transition countries were able to muster new economic leaders very quickly and without losses resulting from internal squabbling.

The conversion of the nomenklatura's abundant endowments of social capital into new endowments of economic capital was a rational strategy, especially in societies trapped in a situation of 'building capitalism without capital' [Eyal, Szelényi and Townsley 1998]. Economic capital, as a condition of new entrepreneurship, had to be acquired in exchange for something else that already existed: foreign financial capital, domestic human capital, or domestic relational capital. This was the crucial crossroads in all post-communist transitions. The result depended on the bargaining power of these three capitals. Unsurprisingly, relational capital has shown the highest practical operability in almost all initial business encounters. That explains why both the emphasis the new Czech governments placed on large-scale privatisation (e.g. with vouchers or insider sales) and the 'Czech path' of privatisation (i.e. without much competition from abroad) was perfectly compatible with the aims of the nomenklatura.

The communist social system was full of long-suppressed and accumulated conflicts, which had to be addressed to find a new equilibrium. An immediate explosion of these conflicts and any attempt to eliminate the past elite would have unleashed chaos in society for a long time to come. Other transitions in the preceding century, which had produced scores of victims and lasted for generations, provided some valuable historical lessons. A peaceful transition has to be gradual, and that made co-action with the outgoing power essential. The whole process of the subsequent social, economic, and political transformation could not be achieved by means of revolutionary commands but through step-by-step negotiations at the micro-level. This can be likened to the process of market *tâtonnement*, as described by L. Walras, and to the process of bargaining for to settle property rights, as explained by Coase [1960]. It is the quest for reciprocal re-adjustments among millions of domestic agents looking to reallocate their diverse interests and capacities. It would therefore be a mistake if some domestic central authority or intervening external force were to mastermind and dictate the course of these complicated processes.⁴⁹

Settling local inter-human relationships that had been fettered for decades had to be left to local negotiations in an environment of centrally secured non-violence. Surprisingly, these initially highly improbable gradual readjustments occurred independently in all post-communist countries. They happened despite the myriad forms of local trial and error, the missed chances, and the moral compromises that affected nearly everyone and disappointed the expectations of instant 'justice'. It was clearly a strategy of second best that can be criticised for its seeming blindness. Nevertheless, this amazing process of social *t'onnement*, a social parallel to market clearing, in which the resolution of human conflicts could be fine-tuned gradually and in peace, became, in the end, a strategy more efficient than any exogenous social engineering. As Kornai [2005] point out, the transition was, after all, still extremely fast and unprecedented in human history.

49 Examples of such failures are the US interventions in Iraq and Afghanistan or the external imposition of reforms during German unification. A successful example is found in China.

The gradual contest for capitalism was the most characteristic feature of the evolution of entrepreneurship, especially in the crucial field of capital redistribution and ownership, where human conflicts were traditionally most violent. Thus the peaceful evolution of entrepreneurship, intertwined with the necessary ownership changes, can be regarded as the cornerstone of post-communist transition. The lessons of the Czech Velvet Revolution and then the ‘velvet divorce’ of Czechoslovakia are of particular interest in this respect.

The Czech transition was ready for launching long before the external threat from the Kremlin was lifted in 1983. The first signs of it had already emerged during the Prague Spring in 1968. However, news from Warsaw, Budapest, and Berlin in the late 1980s was essential to confirm that the local transition would not be isolated. The power-game of triggering the transition and its consequences were thus in the hands of the three groups mentioned above – the marketeers, the nomenklatura, and the outsiders, each of which had their own motives for change. Their entrepreneurial skills and expectations in particular were the crucial factors that drove the transition process [McMillan and Woodruff 2002]. When the window-dressing of central planning and hierarchical subordination finally lost its institutional support at the end of 1989, enterprises and the economy initially barely registered any change: the ‘shadow management systems’ were already in control of the economy and ready for transition [Benáček 1994, 1995].

We could ask how the nomenklatura ‘triggered’ the non-violent transition or how the various actors reached agreements over all the trade-offs that had to be resolved? Was there not some sort of deliberate and purposeful planning involved? These questions are misplaced, because they presume the existence of a centralised command. The series of subsequent collapses was not planned in the Kremlin or the White House, just as no central authority masterminded the decline of feudalism and the advancement of capitalism. Evolutionary processes (e.g. the Darwinian evolution or even market clearing) proceeds through gradual adjustments without being guided by any pre-agreed strategy. The abandonment of communism was a spontaneous development in the minds of the masses of agents, including their elites, who realised that change would not expose them to unbearable risks and could even bring them new opportunities. Although the transition was tougher and more roundabout in both procedure and outcome than the majority of actors assumed, the basic idea was well founded and easily recognisable to anyone. The ‘triggering’ could then commence with any major social shake-up. The fall of the Berlin Wall acted like a fuse, its charge being an optimal critical mass that set off a chain of shake-ups all over the world.

5.5. Entrepreneurship in the early stages of transition

As mentioned above, it was the nomenklatura in state monopolies and not the bureaucrats of central planning who were in control of the official parts of the economy and who gained even more power when Gorbachev’s *glasnost* undermined the instruments of totalitarian coercion. These national systems were ready for the series of subsequent transitions that occurred once a strong external shock cracked the institutional braces in just one country. There was risk and uncertainty in particular cases, but the gradual adjustment and the truce set up through the Velvet Revolution meant that the nomenklatura was not at risk of losing much as a group. The advantage derived from their social capital endowment was unrivalled. The marketeers were in a similar situation: they expected a better deal once their activities were liberalised, having obtained an advantage in the accumulation of financial

resources. However, the outsiders appeared to gain least from their initial entrepreneurial endowments, and their gains from the transition were originally associated with more consumer choice and the introduction of democracy. Here a distinction should be made between the outsider elites (the cultural and technical intelligentsia) and the rest of the outsiders. The cultural intelligentsia had a jump-start in the beginning, when the mission of building the new institutions of democracy, education and the economy was placed on their shoulders. However, this mission was gradually outshone in importance by other, more practically oriented tasks of property redistribution and the political power struggle once privatisation issues began to dominate the stage after 1992. The initiative in building institutions thus shifted more towards the nomenklatura.

The technical intelligentsia endowed with human capital had better entrepreneurial opportunities, though not immediately in large businesses, as their starting position directed them mostly into small (self-employed) businesses. For example, 21% of all Czech employees were registered in self-employed businesses by 1993. In 2003 that figure grew to 33.8%.⁵⁰ The increase in the number of self-employed was high also in other Central European and Baltic countries and comparable to the situation in traditional market societies [Selowsky and Mitra 2002]. The growing number of small entrepreneurs obviously must have been made up mostly of those outsiders with some human capital endowment. Although the technical intelligentsia were delayed in gaining access to higher positions, they penetrated the ranks of the entrepreneurs at an accelerated pace from the mid-1990s.

When the outsiders began to catch up with the others their ascent had an unexpected outcome, as they clashed with the private sector that had already been established under socialism, i.e. with the marketeers. A similar situation was observed in Poland [Winiecki 2000; Winiecki et al. 2004]. The lack of vision and flexibility on the marketeers' part made them unable to withstand the competition from the new business start-ups emerging from the ranks of the former 'outsiders', and this caused the old private sector to shrink by 40–75%. A similar observation of constructive destruction was reported in other countries [Gábor 1996; Eyal, Szelényi and Townsley 1998]. This suggests the general hypothesis that the socialist 'marketeers' ultimately did not possess adequately competitive skills and relational endowments to make a smooth transition into the ranks of the new grand entrepreneurs.

Unfortunately, there are very few surveys that have studied the structure of Czech entrepreneurs by social group and origin, although some information is provided in a study [Benáček 2007] on the origin of Czechoslovak entrepreneurs who were registered as owners of big businesses in 1990–1992. The classification structure was based on the highest working position held by the entrepreneurs at any time during their careers prior to 1990. The most important findings include:

- a) The very high probability that a member of the emerging class of grand private capitalist entrepreneurs was also a communist bureaucrat in a top or middle-management position (46.3%).
- b) Approximately 37–42% of the Czech emerging grand capitalists in 1992 were people with ties to the Communist Party.⁵¹

50 According to the Czech Statistical Office, Annual Yearbook, 1996 and 2004.

51 This estimate agrees with the conclusions of Matějů [1997] and Machonin et al. [2006: 45 and 79]; the latter estimate that the share of the former nomenklatura was 36.8% in 1994, but they do not distinguish between high and middle ranks.

- c) The rate of transition of former low-ranking state managers and supervisors into big new private businesses is very high, making up 44% of the total number of new grand entrepreneurs.
- d) After three years only a small fraction of people (1.1%) who had neither been a part of communist nomenklatura networks nor occupied any formal managerial position succeeded in becoming grand entrepreneurs.
- e) The chances of outsiders with human capital becoming grand entrepreneurs are only 2.5%, which is still below the national average of 3%. However, the probability of such a transition occurring among the group of unskilled outsiders is even lower – at merely 0.4%.

Outsiders were held back in their ascent into entrepreneurship owing to their lack of initial wealth, owing to their exclusion from the crony network and its sphere of influence, and owing to the effects of discriminatory selection processes that disfavoured people with high moral principles. However, the outsiders and low-ranking communist managers were not completely cut off from opportunities. They had access to small businesses and self-employment. The pressure from tough budget constraints was stronger than in large (privatised) businesses supported by special government policies [Winiecki et al. 2004]. Nevertheless, in the Czech case they made significant progress in efficiency and obtaining a share in the market in the late 1990s, which became a springboard for future expansion to become larger firms.

Other quantitative empirical studies have also looked at the origin and performance of the new Czech entrepreneurs. Matějů [1993a: 86] concluded that being a member of the nomenklatura resulted in ‘far higher chances to enter the group of entrepreneurs’, mainly owing to the role of network capital accumulated in the past. This was the driving force that triggered the transition and led to the early success of the nomenklatura. Three mechanisms were involved. The first and most important was the comparative advantage of the nomenklatura in terms of its endowment of social capital, which provided it with enough confidence to counter the power of the opposition. Then there was the complementary advantage of nomenklatura in both managerial and human capital. Modern society needed these resources; they were scarce and without substitute.

The third mechanism, albeit a minor one, was the greater wealth (savings) of the nomenklatura compared to that of the outsiders. This fact was confirmed in another study by Matějů [1993b], in which entrepreneurial success was measured by income levels. A high statistical significance was found for such exogenous variables as income in 1989, accumulated property before 1990, and a person’s prior position in the hierarchy of the nomenklatura. Nevertheless, the study also confirmed the significance of factors such as education and professional commitment to the job, both of which demonstrated that the outsiders were not deprived of chances for joining the entrepreneurial ranks later. Thus the fulfilment of entrepreneurial visions for a person endowed with the ownership of capital of any kind was not beyond reality.

5.6. The changing structure of entrepreneurs in the later stages of transition

From the start of the transition the Czech government made the transfer of property relatively easy, because more than one-half of all of the national physical capital was offered up for privatisation between 1991 and 1995. That gave an unparalleled boost to the growth of large businesses, which

favoured both those social groups better endowed with social capital and also foreign investors with substantial financial capital. The path-dependency of the capitalist future on the communist past was not severed abruptly but rather steadily diminished. The competition for property in a situation where information asymmetries, insider trading, moral hazard, and weak ethics dominated over economic and human capital could not last for ever. The access to property in such an opaque environment was biased, inefficient, and pressed into discriminatory selection of its elite by means of a mechanism of adverse selection, as explained in Akerlof [1970].

National development depends very much on the national elite. An adverse selection of the elites can undermine the national ability to act autonomously in the world and shift its politics to a sort of defeatist autarchy. It is possible to distinguish between the economic, political, and cultural elite in relation to three kinds of capital. In a globalised world, the existence of a strong indigenous economic elite is what generates the externalities of national leadership able to compete internationally, to confidently uphold national culture, and to resist the ideologies of nationalism, communism, and other extreme movements.

In the Czech case, the high-ranking nomenklatura's aim of easily defecting into the entrepreneurial class proved viable from the start of the transition [Možný 1991]. However, there are reasons for its diminishing returns. The basic argument is that while both economic and human capital are of crucial relevance for entrepreneurial performance in functioning market economies, the relational capital, as a factor of market distortion, has a minor role when the economy matures [Eyal et al. 1998]. Building capitalism by means of dominant relational capital had the drawback of sub-optimal economic performance. So the progress of the transition in the Czech Republic – establishing a market economy – was detoured by incompetent entrepreneurship, unsustainable property holdings, frauds, profits derived from implicit subsidies, a decision-making process intertwined with state bureaucracy, and market competition impeded by government intervention. The result was the economic crisis in 1997–1999, when real GDP fell by 1.3%. The macroeconomic misalignments were not the cause but a concomitant effect.

Most of the property distribution completed in the second wave of voucher privatisation in 1994 was unsustainable and had to be redistributed. This required a subsequent series of Coasian contract renegotiations, which had Pareto-improving outcomes. A new round of selection started on the markets that had already moved from excess supply to excess demand. All new owners (including inexperienced or incompetent ones) were consequently exposed to competition with other indigenous entrepreneurs, foreign businesses, and imports. At the same time the share of imports to GDP reached 60% in 1997, while the value of the Czech crown appreciated steadily. Many entrepreneurs saw a bleak future themselves and abandoned their sinking ventures by shifting the costs to someone else. Thus the 'optimum' strategy for failing entrepreneurs became the practice of taking advantage of widely neglected property rights. 'Tunnelling' (i.e. stripping the assets of the company, its clients, banks, or public budgets) became a technique of enrichment compatible (or even commensurate) with their entrepreneurial comparative 'advantages'. The redistributive nature of a large part of the Czech new elite was then fully revealed.

The same logic that determined the selection of the Czech old-new entrepreneurs also meant that infringements on property rights remained unaddressed and paradoxically became a fixed part of the game. If the visible hand of the law had been suddenly enforced, the gradual process of peaceful

transition would have turned into a vicious crisis. The hazardous laws of relational capital would have had to be re-installed as the overriding force, and that would have undermined the growing importance of economic capital.

Tunnelling certainly resulted in social losses, but it allowed inefficient entrepreneurs to reap the fruits of success and transform a part of their windfall economic capital into consumption and speculative assets. Even though a part of their (and the national) productive capital was thus liquidated, some capital was still able to find its way into the hands of new owners, who used it more productively. However, stricter property rights, rules and efficiency-enhancing institutions had to be gradually installed because the demand for them grew in strength. Thus the structure of ownership kept converging towards Pareto-optimality by means of Coasian negotiations.

In the Czech case approximately 60% of new grand entrepreneurs were not from the ranks of the nomenklatura, and the importance of human capital was not completely eliminated [Benáček 2007]. Entrepreneurially oriented outsiders were able to acquire the capital relinquished by inefficient initial owners. When the inflow of foreign investment intensified in 1995, the balance of economic power shifted. In 2002 foreign owners controlled approximately one-half of the productive physical capital in the country. The call for a substantial overhaul of the legal system and judiciary received a boost from the EU requirement that the country adopt the *acquis communautaire* before accession. At the same time the Czech government had to dismantle the system of 'banking socialism', whose bad debts (32% of all credit in 1999) brought it to collapse. Consequently, practically all commercial banks had to be sold to foreign owners. Banks and market competition became the most important instruments pushing for enterprise efficiency.

The process of 'velvet transitions', which was unique in human history, took at least two stages, each of which had different rules and drew on different types of capital to determine its functioning. This approach is an extension of Eyal, Széleányi and Townsley's seminal idea [1998] that social systems can be classified by the dominance of different types of capital. In the first stage of the Czech transition, social capital accumulated under communist dominated; in the second stage, the steady rise of the markets meant that the importance of economic capital moved to the fore. In reference to Kalecki's maxim cited at the opening of this chapter, it was only at this stage that the entrepreneurs were able to acquire the status of authentic entrepreneurs and finally managed to become the owners of assets secured by law. It is worth speculating about whether the transition requires a third stage to reach completion, in which human (cultural) capital would move in to assume the dominant role [Matějů and Vitásková 2006].

More recent studies have reached similar conclusions, confirming that the old-new elite of the former Czech nomenklatura and the marketeers from the first stage of the transition were not always selected on the basis of the best first. Their position was unsustainable as society moved into the second stage of the transition and amidst the rise of the market, competition, and the efficiency-enhancing institutions of capitalism. In the Czech case this stage has been under way since 1994 to date. The new process of entrepreneurial restructuring was marked by the growing importance of economic and entrepreneurial capital. For example, Tuček [2006: 79] reported that during 1994–2004 'the share of the old-new elite sharply decreased'. Another study [Machonin, Tuček and Nekola 2006: 544] also concludes: '... the gradual generational change in favour of younger and, in terms of education and/or fresh experience, better qualified cadres: all this ... led in the final years of the 20th

century to the downfall of important part of the economic old-new elite recently discredited in the new environment of society.' 'A genuine top business elite has emerged in the Czech Republic, one that in principle differs little from its Western counterparts.' [Ibid.: 552]

Laki and Szalai [2006] reached a similarly upbeat conclusion, noting that the stabilisation of indigenous grand entrepreneurs in Hungary in the late 1990s is justified the persuasion that the society could set aside concerns that the transition in post-communist countries may have undermined national integrity by depriving them of the ability to compete internationally. The majority of indigenous grand entrepreneurs in 2005 typically started out as small businesses started out as small businesses and their efficiency allowed them to compete internationally."

The 1989–2004 transition period was a productive time in the Czech Republic, and the country made evident progress in economic and social organisation. The changes in the nature of entrepreneurship were particularly complicated owing to several transitional stages in the acquisition of capital. The sectors of internationally tradable commodities became highly competitive, as it was integrated into world markets. There the importance of both economic and human (entrepreneurial) capital significantly increased, as the links between relational capital and domestic hierarchies began to weaken, often to the point of irrelevance. These were replaced with links to international capital, marketing networks, and oligopolistic leaders.

Many of the domestic entrepreneurs that had emerged in the early stage of transition were forced to sell their ventures to international capital and/or exit the business sector completely. Most of them were from the ranks of the former nomenklatura. Nevertheless, there was no decrease in the number of Czech businesses registered as joint-stock or limited liability companies, and all the statistics have documented the rising number of entrepreneurs. There are two explanations: new entrepreneurs entered the scene, and some entrepreneurs defected to less competitive sectors, such as internationally non-tradable services, with fewer budget constraints and less competition. Some of these sectors were not forced to leave the stage of no or formal privatisation (e.g. in health care, energy supply, or education) and many could continue to rely on help from public budgets and collusion with political parties and state bureaucracy [Matějů, Schneider and Večerník 2003]. The nature of this entrepreneurship does not differ so much from what it was like in the communist period. The role of relational capital is paramount to their survival, leading to deep corruption and practices enabled by too little or too much of regulation.

An oversized government sector and its impotent surveillance over the provision of public goods, which make up approximately 40% of GDP, became a haven for quasi-entrepreneurship and inefficiency. Like many other European countries, the Czech Republic is engaged in the process of patching up its social system and postponing genuine reforms. If Czech society is to avoid slipping into stagnation, it needs to take the next logical step: making institutional changes that open up non-traded and government sectors to authentic entrepreneurship, while retaining regulation over them where the public interest is concerned. Unfortunately, in this case the drivers of change cannot be expected to come from the European Commission, as they did in the transformation of the traded sector prior to EU accession. This time the forces of change must be found inside the country.

As Pejovich has argued [1994], the main objective of privatisation should be seen as the creation of a free market for institutions and for incentives supportive of property rights; that is, the shaping

of the demand for institutions supporting productivity. From this perspective, the wrangle over capital transfers in 1991–1996 was an unavoidable detour prior to more substantial changes. There were too many vested interests to avoid such a chaotic prelude. It was only in East Germany where the transition was orchestrated from the outside, that the attempt at transition without detours turned into a failure. The stage of social *tâtonnement* and the subsequent stage of the establishment of new market-enhancing institutions cannot be merged. Ultimately, as Loužek concluded [2005], there was hardly any alternative to the government strategy of the Czech transition, even though its many institutional tactics could have been streamlined, thus mitigating the extent of schizophrenia, fraud and dead-ends by providing more rules and information.

The class of elite entrepreneurs has developed gradually. Societies are locked in the flow of history, culture, and ideology, and it takes time to disentangle the traps of transition, the evolution of which is an extremely demanding process that cannot be tackled by an ‘enlightened’ central command. In the Czech case the evolution of entrepreneurship got stuck two-thirds of the way along. It should continue in the sectors still under the control of the bureaucracy. Reforms of the public sector through the introduction of market institutions and managerial methods drawn from the corporate world will be the natural finale of the entire transition.

Although the transformation of the new EU member countries is reaching an end, the topic of peaceful social transition is still new and has not yet been sufficiently examined. In addition, it is complicated by many local specifics that prevent a universal analysis. Transition processes will continue to occur in many other societies around the world. In another article by this author [see Benáček 2006], an attempt was made to apply the experiences of Central Europe to the Cuban potential transition. We can imagine that new approaches to transition will also have to be undertaken in Iraq, and that the societies of Iran, North Korea, and Afghanistan will have to consider them, too, and we can compare such development to alternatives based on force. The unexpected economic take-off in China or India cannot be explained in isolation from the gradual strategies to transition taken there. Even the EU-27 should think about implementing gradual but fundamental changes so that its member states can master the transition to viable and effective social governance.

5.7. Conclusion

This chapter attempted to explain the post-communist transitions as a sequence of logical steps within gradual social processes. They emerged out of the legacies of both pre-war capitalism and the jugglery of communist management. Together these influences became the seeds of entrepreneurial activity and of the aspirations of transformation into authentic entrepreneurship. Three crucial steps were required, which pre-determined the peaceful nature of the transition:

- a) The launching of the transition at a moment when the communist elite (*nomenklatura*) was under no direct external threat and when it had accumulated sufficient social and human capital to be able to withstand the pressure of domestic opposition.
- b) The initiation of the ensuing processes of gradual social, economic, and political adjustments, offering opportunities to all, where the social (relational) capital of elites could be transformed into the ownership of economic capital. That purpose was served by the various forms of mass privatisation that occurred amidst economic institutions and property rights that were performing inadequately.

- c) The re-privatisation process and widespread bankruptcies, when competition was firmly established and firm property rights were in effect and when the advantages in human or entrepreneurial capital overrode the importance of social capital. Only then was it possible for a competent new indigenous entrepreneurial class to emerge.

The aim here was to use the Czech experience to shed light on why the early stages of transition in all post-communist societies offered so many opportunities to the nomenklatura and why that process was partially reversed later on, especially in the EU accession countries. As a policy recommendation, the transition should refrain from the direct confrontation of adversaries. Instead of some centralised intervention, the conflicts should be re-directed to negotiable adjustments at micro-social levels. A unique combination of gradual change and the rapidly progressing stages of transition, heading towards the creation of new entrepreneurial elites, led society towards a new equilibrium, with fast growth and social order. The lessons from the peaceful, rapid, and effective transitions in the countries of Central and Baltic Europe, which, despite their peregrinations and the trials and errors of their human confrontations, enriched the history of the development of capitalism and can be used to reflect on similar transitions in other societies.

The transition can be judged as having fallen short of expectations: it failed – at least partly – to usher in with it the capitalism of perfect markets. There is too much reliance on a strong state; the bureaucracy of public administration is moving towards patterns of behaviour akin to those in the communist past; the alliance between politics, top-level bureaucracy, and large quasi-private corporations in the non-traded sector is reminiscent of a model that emerged in Italy in the 1920s, and the markets in too many sectors are not free of imperfections. Notwithstanding all these caveats, the Grand Transition was a victory of entrepreneurship. The accelerated growth in all the transition countries clearly suggests that, however strong redistributive entrepreneurship may still be, in key sectors it has gradually been overtaken by productive entrepreneurship.

6. The Development of Work Values and Attitudes⁵²

Jiří Večerník

In recent decades, the developed world has seen important changes in the area of human labour. Economic activity, originally a matter of terrestrial pain and strain, became a positive behaviour, enriching human life on a mass scale. Post-modern society, according to Ronald Inglehart, replaces the values of survival with the values of security, and unleashes an opportunity for the 'cognitive mobilisation' of workers. The change in the nature of work itself, as well as related work values, is part of a comprehensive cultural change linked to economic development and leading people toward post-materialist values, individual life-styles, and civic participation [Inglehart 1990].

However, at the same time, work has become scarcer, and many people have become worse off as a result of unemployment. In the globalisation process, much routine work moves out of developed countries and into poorer countries, where wage costs are negligible. Work that involves intrinsic values of human development is far from a mass phenomenon, and the number of jobs is continually decreasing: "In fact, from being a burden, work has become a privilege" [Dahrendorf 1990: 144]. Paid work has become a basic status-forming activity of Western civilisation. However, it brings not only satisfaction, but also risks, which have a stressful effect on people's lives [Beck 1992, 2000].

Both the positive and negative features of recent developments relating to work are present in contemporary societies, including the transition countries of Central and Eastern Europe (CEE hereafter), the Czech Republic included. The transformation of the economy and the society inherited from the communist system generated new problems. There is a deep legacy of relaxed attitudes toward employment, which had previously been obligatory, while the expectations concerning social protection are high. The pressure put on the quality and intensity of work performance is weak, and large sections of the labour force are reluctant to accept work flexibility in a job. While the transformation of the external institutional framework is over, it is still going insofar as the intrinsic characteristics of work and job attitudes are concerned.

There is a considerable difference in the amount of attention paid to such intrinsic dimensions of work and jobs in the 'West' and in the 'East'. In the West, scholars are trying to determine the current qualitative changes in this particular area in relation to a general value change, and whether this involves a change from materialism to post-materialism, from national economies to globalisation, or from social networks to an atomised social web. Important branches of economic sociology

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and socio-economics focus on studying the social setting of human work [Kallerberg 1977; Yankelovich et al. 1985; Tilly and Tilly 1994; Sennett 1998; Swedberg 2003; Beckert and Zafirovski 2006].

No societal transformation can be accomplished without taking into account value dimensions. As often happens, less attention is given to values in those places where they are of greater importance. In fact, the process of abandoning communism has been overburdened with assumptions about what is the 'natural' (pleasure-seeking) behaviour of people and its alleged 'real' (= economic) base. In steering the transition process, macro-economics preceded micro-economics, the neo-classical approach preceded the institutional one (within economics), economics preceded sociology (within the social sciences), and the description of the assumed 'objective' state preceded any explanation taking into account 'subjective' attitudes (within sociology). In such a sequence, the issue of the value dimensions of real behaviour was almost shifted right off the stage.

This part attempts to partly fill in the existing knowledge gap by contributing to a critical reading of opinion data on work and jobs and presenting the ISSP modules on Work Orientations from 1997 and 2005. In the first part, some methodological problems regarding the inspection of work and job values are introduced using examples drawn from previous research. In the second part, some hypotheses are presented regarding work attitudes from the perspective of gender, age and education. In the third part, a comparison is made of people's job and work expectations with their perceived fulfilment. In the fourth part, workers' perceptions of where they stand between the remote worlds of family and firm are considered and some factors of work and job satisfaction are examined. In conclusion, the role of subjective perceptions in the economy and the question of a true change in values during the transition are discussed.

6.1. Methodological difficulties and previous research

Any analysis of work values exposes numerous methodological problems. The key problem is that values cannot be indicated directly. 'True' human values, as such, can be identified by means of a complex comparative socio-historical analysis (such as Alexis de Tocqueville's *Democracy in America*). Opinion surveys are also helpful, although never sufficient alone. However, there are various concepts that can be used to describe human perceptions, and we can therefore at least distinguish between preferences and attitudes on the one hand and values and norms on the other. Generally, the latter are considered more general and durable than the former. For instance, Michael Hechter sees values as relatively general and durable criteria of evaluation:

"As such, they differ from other concepts like preferences (and attitudes) and norms. Like values, preferences (and attitudes) are internal, but unlike values, preferences are liable rather than durable and particular rather than general. Whereas norms are also evaluative, general and durable, they are external to actors and – in contrast to values – require sanctions for their efficacy" [Hechter 1994: 321].

Whatever general framework and definitions of individual categories are set, difficulties surface in the process of collecting evidence. The traditions and socio-economic climate of a country may seriously constrain the calibration of a given value scale. As is often demonstrated on a general level, 'subjective' human happiness does not depend very much on 'objective' well-being [Diener et al. 1993]. The given general framework of values (economic, social, and cultural) and the standard of value

judgments in a country are probably more important for forging people's opinions than are the careful indicators of economic performance. National mentalities and the specifics of a regime matter, as do changing reference contexts – this is the case of the transition. How experienced or 'trained' the population is at answering surveys largely determines the consistency of answers, too.

After 1989, people had to re-learn how to formulate their opinions freely, with deliberation, and in consistent frameworks. In the beginning, they were often asked about issues they had never reflected on. The former routine was one of mechanically accepting everything issued into the public sphere 'from above' combined with excessive criticism in the private sphere. Firm opinions survived in areas where people were indoctrinated by an ideology, without any deeper understanding of the problems. The differences between the East and the West are particularly salient in those areas.

With regard to *inequality*, in a study based on the 1999 ISSP survey, Marc Suhrcke concluded, "results do confirm the hypothesis of significant differences in attitudes. People living in transition countries tolerate existing income differences significantly less than people in the West, even after we control for the usual determinants of attitudes to inequality and for the actual level of income inequality" [Suhrcke 2001: 25]. As the issue of inequality was the main issue proclaimed by the communist regime, systemic differences are quite understandable. However, the results of a comparison of countries' views on this issue are ambivalent – as the most egalitarian country appears to be Portugal, while attitudes in the Czech Republic appear to be as egalitarian as those in France.

If we look at other, similarly complex issues, such as *the welfare state*, it is even harder to find connections between the 'objective' state of affairs in a country and people's attitudes – or, from a different perspective, consistent and clear country or regional patterns. This was shown in an analysis of the public's support for different welfare regimes among five Western countries, based on data from the 1996 ISSP module on 'the role of government'. Giuliano Bonoli [2000: 449] found "the way surveys questions are answered can be best understood with reference to norms and values that have traditionally dominated national practices and discourses". It is possible to assume that the same would be found when comparing countries within boundaries of the CEE region, but the picture would probably be more blurred.

Unlike such 'ideological' issues, the area of *work and job values* is plagued by greater ambiguity. Under the communist regime, work itself was endowed with the dichotomous status of being simultaneously a right and an obligation. As the communist ideology promoted the value of work too aggressively, it was adversely devalued in real life. People learned to prefer components of work other than its prestige and their own achievements through formal labour. More often, primary importance was given to such features as the absence of any supervisory control or less strict working conditions, which permitted less of a work burden and more hours of leisure, allowing time to perform informal jobs or bricolage at home.

Strictly speaking, analyses of work values are somewhat rare, even within the same 'family of nations'. Wolfgang Teckenberg and Michael Bayer [1999] compared the work values of (West) Germans and Italians (distinguishing between the central-northern and the southern regions in the latter) using the European Values Study from 1980 and 1990. They found that while for Italians work mainly represented a channel of social integration, it possessed much more intrinsic values in the former West Germany, where work was and is regarded more in terms of rational criteria, such as a means

of income. In former West Germany, the economic sphere of life is more clearly distinguished from family life and leisure. In Italy, work and social life are more mixed, which, as the 1990 data showed, is somewhat similar to the case in Neue Länder.

S.D. Harding and F.J. Hiksloops [1995] also used the European Values Study to compare thirteen Western countries. Based on earlier analytical findings, they were able to distinguish the factors of 'personal development' and 'comfort and material conditions', noting the increasing importance of the former. While Northern European countries 'form the most fertile ground for empowered employees', Southern Europeans ascribe rather more importance to the 'value of comfort'. However, at the same time, 'employees are becoming more demanding of their employers', not only in terms of the wage amount itself, but also in terms of the relationship between individual work performance and reward [Ibid.: 445–448].

As the comparison between East and West Germany suggests, the value of work in the countries of real socialism was higher, but only because of the stronger importance of the workplace's socialisation function [Meulemann 1996]. In this sense, communist countries were similar to the Southern European, less developed nations, where work also has more of a social than an economic function. This aspect in particular was raised by women in opinion surveys in communist Czechoslovakia, where the labour-force participation of women was very high and the weight of the gender dimension in earning disparities was much more important than elsewhere (see below for an explanation).

Márton Medgyesi and Péter Róbert used the 1997 ISSP data to compare work satisfaction in five groups of European countries, grouped and ordered according to descending levels of satisfaction: Scandinavian countries, Western Europe, the EU periphery (Portugal and Spain), less developed transition countries (Bulgaria, Russia), and more developed transition countries (Czech Republic, Hungary, Poland, Slovenia). Subjective variables (the discrepancy between expectations and their fulfilment in individual work characteristics) appeared to be much better predictors than objective characteristics, among which personal income, self-employment, and a supervisory position scored highest [Medgyesi and Róbert 2003].

While Western populations score higher in asking for an independent and interesting job, Eastern countries prefer work rewards and job promotions. While Western populations stick more to the intrinsic values of work (initiative, responsibility, interest, promotion), Easterners prefer the external conditions of the job (pay, hours, vacations, not too much pressure). What people demand from employment is currently better met by jobs in the West than in the East. Consequently, CEE people appear to be less satisfied with their jobs than EU people, first and foremost owing to unsatisfactory salaries [Večerník 2004].

The most interesting case is the two parts of Germany, which – given that the two regions of what was formerly one country (albeit culturally diversified) were separated for decades by a political and economic regime – represents a kind of live experiment. It is therefore surprising that there was no real difference in the respondents' perceptions of work in the two parts of unified Germany in 1998, and their perceptions have not changed at all since 1993. While the objective situation certainly did change, in the sense that there was greater similarity of work-styles and job insecurities, its subjective perception did not change at all [Habich, Noll and Zapf 1999]. Job satisfaction was also constant during the decade between 1990 and 2000, remaining very similar in both 'Germanies' [Christoph 2002].

The experience of the Czech Republic was different – not stability in this case, but rather a return to previously shared opinions. In the early 1990s the ‘capitalist virtues’ of self-reliance and the need for personal adaptation did spread somewhat, but they were mainly compensated for by the population’s exaggerated sense of confidence in their own skills and their reliance on the state; simply put, the declared liberal attitudes of the early period were clearly only verbal. The weakening self-assessment and relaxed attitudes of the Czech population are evident in the widening gap between these attitudes and experts’ evaluations of various aspects of the Czech labour force, in other words, between the view of the same situation from the inside and from the outside [Večerník 2003].

Nevertheless, the ‘history’ documented in this contribution is more recent. Owing to the available data, the story of the transition cannot be described in full length. The first ISSP module ‘Work Orientations’ was collected in the Czech Republic in 1997, i.e. when the biggest part of privatisation was nearing a close and the labour market had been established. It can be assumed that, in the sphere of public opinion, the ‘learning period’ was by that time already over. Therefore, the data can be regarded as consistent and comparable over time. Nevertheless, regardless of the time span covered by the data, the short story must be situated within the context of the longer history of transition and create a picture of this change.

6.2. The explanatory framework

During the period of economic reform in the CEE countries, labour market problems were described with the vocabulary and methodology of mainstream economics. There was little place for examining the human values related to economic behaviour and work. In addition to the primary focus being on the economy, there were several other reasons for this neglect: First, measuring human values is complicated because it is necessary to rely on opinion data. Second, there are no time series on this subject, which would enable comparisons with the communist past. Third, there is no research tradition like economic sociology or social anthropology in the CEE countries that would facilitate this type of inquiry.

In the transition it was assumed that ‘tough’ labour market conditions would lead to more demanding criteria and a more intense work performance, and consequently would also help counter the previously social character of work. However, the combination of the kind of experience people were accustomed to from the past and the ‘velvet conditions’ of the early transition led many people to re-assume a high subjective assessment of their abilities and to leave the responsibility for job security to the state [Večerník and Matějů 1999: 295]. A comparison of the 1991 and the 1999 World/European values surveys showed a considerable decrease in the importance ascribed to both social and self-fulfilling aspects of work in the Czech Republic [Mareš 2001:77].

Instead of the purely administrative arrangements of labour, transition brings about individual, contractual, and much freer labour relations within a different context. It was a complex process, but when both simplified and put into a more general framework it can be conceived as a transition from the ‘basic needs principle’, asserted by the communist regime, to the ‘market principle’ implied by the capitalist regime. This is assumed to be a major qualitative and systemic change, which occurs behind the scenes and is revealed in quantitative shifts described by statistics. The relevance of this explanatory tool, formulated to examine distributions of personal earnings and household incomes [Večerník 2006], could also be applied in the area of work and job related values.

The 'basic needs principle' means that the main focus is on what is necessary for the reproduction of the labour force. This principle was explicitly formulated by Marx as the primary mechanism for rewarding (and exploiting) hired labour by capitalists: presumably, they do not pay for the labour itself, but only ensure the reproduction of the labour force. Wrongly interpreted by Marx as capitalism's base for the production of surplus value (appropriated by the capitalist class), this principle was in reality applied by the communist ruling class. Conversely, the 'market principle' is understood to be the forging of closer links between human capital, labour performance, and results with rewards and incomes. This highly stylised opposition can manifest itself in various characteristics of workers, although vaguely and unevenly.

The lack of data on attitudes, their historical embeddedness, and the other standard limitation of 'soft' data obviously make this analysis more difficult than an analysis of earnings and income. First, there is no comparative survey from the early 1990s or earlier describing the initial enthusiasm about reforms or, before that, the situation under the communist regime. Second, it is necessary to take into account the learning process connected with the practice in communicating various opinions, as people became more experienced in answering survey questions consistently. The interview situations in 1997 and 2005 were certainly not identical, but there are no controlling questions to test the consistency of responses. Third, the survey samples are too small to allow a more detailed analysis. If we cannot overcome these limitations, we must at least be aware of them.

Below is an overview of possible changes in the characteristics of workers within the proposed stylised explanatory framework of the systemic shift from the 'basic needs principle' to the 'market principle' (Scheme 6.1).

In terms of *gender*, adherence to the 'basic needs principle' under the communist regime resulted in women's earnings being conceived as necessary but supplementary to family income. It was not individual performance but the reproduction of the labour force that was important. Therefore, women's work could easily be downgraded – and even entire branches of light manufacturing and administration could be downgraded when the male labour force was transferred to 'more productive' branches. This generated a vicious circle: women received low wages because they worked in 'female' branches and occupations. This did not prevent women from being installed as 'soldiers of labour' alongside men, under the false label of equal rights and emancipation. However, their work was regarded as secondary by society and the related expectations from work were moderate and focused on social contacts.

It cannot be said that in the market system the work that men and women perform always has the same status and is treated equally and that discrimination does not exist. The 'needs principle' is also applied under market conditions. According to wage surveys, the gender gap decreased somewhat in the Czech Republic after 1989: In 1988, the average wage of full-time female workers was 71% of that of their male counterparts and by 1996 it had risen to 77%. But in 2001–2005 it fell again to roughly a stable 75% [CSO 2006].⁵³ Nevertheless, this is only a comparison of averages, behind which

53 In 2000, women's gross hourly wages as a percentage of men's ranged between 68% in the United Kingdom and 86% in Sweden [Paternoster 2003]. The Czech Republic appears to be located somewhere in the middle of this range.

Scheme 6.1. The role of various characteristics affecting work and earnings under two principles (stylised)

Characteristic	Needs principle	Market principle
<i>The role of gender</i>	women's position is derived from family, their earnings are supplementary to household income	women's position is authentic, their earnings are derived from the labour market
<i>The role of age/experience</i>	the life cycle is crucial, the wage curve by age is curved, seniority is valued more than education	the life cycle is not important, the wage curve by age is flat, experience is valued less than education
<i>The role of education</i>	education is a public good, there is no reason to reward it, priority is given to manual, productive labour	education is a private good, it brings considerable returns, priority is given to managerial and creative labour
<i>The role of occupation and industry</i>	physical energy and time spent working matter; production branches have priority, the tertiary educated only get what remains	managerial skills and innovation matter; strategic services, finance and applied research have priority
<i>Dependent vs. independent work</i>	no independent work in the CR, only in the informal economy	independent work expands and provides chances for promotion and better earnings; often second jobs

women's earnings are much more dispersed. The effect of gender on earnings disparities in fact fell quite dramatically: while in 1988, gender alone explained 31% of the variance of earnings; by 2002 it accounted for a mere 10% of the variance [Večerník 2006]. This attests to the accuracy of our assumption regarding a different role of gender under market regime.

In terms of *age*, the 'basic needs principle' mimics the pattern of family costs over the individual stages of the life cycle. Under the communist regime, only families with children had a chance of getting a flat of their own. Therefore, the start of a person's economic life and their family life occurred within a very short period of the life cycle [Večerník 1977]. At the same time, seniority was valued more than education. Once the revolutionary stage – with its catchphrase 'youth forward' – was over, being older was considered a precondition for occupying higher positions. However, all preferences tied to age were overturned in the transition – seniority became rather a burden, while a lack of experience could be made up for and accumulated in the market regime. Also, a gap emerged between the start of economic life and family life.

In terms of *education*, there has indeed been a striking and apparent change. Under Marxist doctrine, intellectual and managerial work was not considered 'directly productive' and was regarded rather as just sharing in the yields of manual labour. Under communist doctrine, education was allegedly provided free of charge 'by the working class' and, therefore, all its returns belonged to everyone. Although some differences in earnings between educational levels were maintained, they were small indeed, particularly in pre-1989 Czechoslovakia and even compared to other socialist countries [Večerník 1991]. In the market regime, education is becoming the primary axis, either because, as labour economics asserts, it is a measure of human capital and (as assumed) also of the productivity of labour, or because it is an indicator of other characteristics that we are not able to measure, such as the character of labour and work performance.

Occupation and industry, according to the 'needs principle', matter in terms of the physical energy and time workers are required to invest. Production branches were much better rewarded in the communist regime (being 'directly productive' in Marxist vocabulary) than services were (considered as 'non-productive'). According to the 'market principle', they matter in terms of their productivity, efficiency, and innovation. In this regard the situation started changing rapidly after 1989, although not consistently. In terms of industries, services expanded, but it was particularly financial services that did, while public services were left behind. Health and social services improved slightly, but education and research stagnated for a long time. In terms of occupations, the main change concerned management which became much more important and valued, the higher the more.

There is yet another dimension that characterises the transformation and is of crucial significance for the change in system – dependent vs. independent work. Former Czechoslovakia was more consistent than other CEE communist countries in banning all traces of the capitalist regime and the 'bourgeoisie'. In order to impose complete control over the economy and society, personal creativity and initiative were suppressed – even if they would have enhanced the results of the planned economy. After 1989 the entrepreneurship that was revived was able to draw on various sources – capitalist roots, the informal economy developed under communism, and the new process of privatisation, in many cases linked to networks and political capital developed under the previous regime. Despite all the barriers to enterprise in the form of bureaucracy, the doors to private initiatives were flung open.⁵⁴

However, reality has differed from the stylised image of a 'free market regime'. In fact, change has been slow, complicated, and not streamlined. Markets are always only partial and imperfect, and their impact is always limited. There are still many deep-rooted patterns, both legitimate (the needs of family reproduction) and not (female occupations). In any case, the effects of assigned characteristics have been weakening, while the effects of achievement characteristics have been strengthening during the transition. This is the story originally demonstrated in the case of earnings and income distribution [Večerník 2001] and which we are now attempting to prove for the area of work values.

54 Comparative evidence based on the number of days needed to establish a new firm indicates how difficult the conditions are that Czech entrepreneurs are faced with. For more on this issue, see Benáček in this volume.

6.3. Work expectations and the fulfilment of expectations

The analysis below is based on sub-samples of economically active respondents from the ISSP modules 'Work Orientations' 1997 and 2005. By coincidence, the first year of data collection was also a year when an economic recession occurred and unemployment began to rise. It is little surprise, then, that work had increasingly come to be seen as 'pain and strain': in 1997, 41% of respondents in the labour force reported that they only work to earn money, while in 2005 the figure was 56%. What is rather surprising is that only a minor change in the character of work is reported during the eight years under observation – one-fifth of respondents in both surveys declared that they engage in hard physical work and the same percentage declared their work to be stressful. In 2005, 39% of respondents reported that they arrive home exhausted, as opposed to 34% in 1997.

Table 6.1. Expected and fulfilled work and job characteristics (index 0–100)

	Total		Men		Women	
	1997	2005	1997	2005	1997	2005
<i>Expected:</i>						
Security	84.1	83.3	82.0	80.8	86.5	86.4
Reward	69.0	71.8	69.1	70.6	68.9	73.2
Promotion	43.5	51.6	45.0	52.8	42.0	50.3
Interesting	76.0	72.0	75.5	70.7	76.4	73.6
Independence	54.0	58.2	54.9	58.5	53.0	57.8
Useful job	55.2	57.2	52.6	53.2	58.2	62.1
<i>Average</i>	63.6	65.7	63.2	64.4	64.2	67.2
<i>Fulfilled:</i>						
Security	50.7	46.1	49.3	46.1	52.3	46.1
Reward	19.6	24.3	20.9	29.3	18.2	18.3
Promotion	16.3	18.3	16.6	20.7	16.0	15.5
Interesting	57.0	52.2	55.7	54.0	58.4	50.1
Independence	60.0	58.0	61.1	60.0	59.0	55.7
Useful job	63.6	65.7	63.2	64.4	64.2	67.2
<i>Average</i>	66.3	61.9	65.2	60.9	67.7	63.0
<i>Difference between expected and fulfilled characteristics:</i>						
Security	-33.4	-37.2	-32.7	-34.7	-34.2	-40.3
Reward	-49.3	-47.4	-48.1	-41.3	-50.7	-54.9
Promotion	-27.3	-33.3	-28.4	-32.1	-26.0	-34.8
Interesting	-19.0	-19.8	-19.9	-16.7	-18.0	-23.5
Independence	6.0	-0.2	6.2	1.5	6.0	-2.2
Useful job	11.1	4.7	12.6	7.8	9.5	0.9
<i>Sum of differences</i>	-111.9	-133.2	-110.3	-115.5	-113.4	-154.8

Source: ISSP 1997 and 2005. Economically active respondents.

The index was computed from the answers 'very important'=100, 'important'=75, 'neither important nor not important'=50, 'not important'=25 and 'not important at all'=0.

The data provide some insight into the multi-dimensional and multi-faceted character of work. There are two separate sets of questions for comparison (Table 6.1). The first set of characteristics concerns the expected quality of work and job, while the second describes the respondent's current job in the same terms. We can see that no tremendous changes occurred between 1997 and 2005 with regard to the desired characteristics of work, especially among men, while women more often expected an independent, well-paid, and career-oriented job. In terms of the characteristics of the respondents' actual jobs, only male respondents more frequently reported having well-paid and career-oriented jobs. Women feel stagnation in connection with those characteristics and are less likely to consider their work as interesting and independent relative to their expectations.

If we compare both views (e.g. hypothetically how well the respondent's job corresponds with their expected values), the biggest dissatisfaction relates to rewards, followed by dissatisfaction with job security, and dissatisfaction with opportunities for promotion. *Gender* appears here as a variable of utmost importance. While the levels of fulfilment of expectations were about the same among men and women in 1997, by 2005 they had become quite different. The gap between expected characteristics and their actual fulfilment remains about the same for men in both years, but there is a considerable increase in dissatisfaction among women. This increase relates to the possibilities for promotion in particular, while the increase in dissatisfaction with rewards, securities, and job interest is also important but smaller.

Although the period of time under observation was short, the change is striking and informative. Evidently, the public awareness of equal rights and opportunities is increasing, and the topic is frequently addressed by the media and politicians with EU policy support.⁵⁵ Therefore, it is natural that women increasingly have similar expectations about promotion at work as men. Exploratory factor analysis (not presented here) reveals that, unlike 1997, the structure of the qualities women expect from work resembles that of men much more in 2005, with interesting and independent work as the core variables. While, for example, expectations concerning rewards are better matched among men in 2005 than in 1997, the opposite is true for women. This corresponds well with the hypothesis that the expectations and requirements regarding the position of women in the labour market are changing and becoming less connected with traditional gender attributes. However, the labour market is responding unevenly, so there are fewer women in standard (full-time and open-ended) and higher positions [Jurajda and Paligorova 2006].

As women's perceptions shift in the direction of higher expectations, which are less often met, the importance of the gender gap increases. While in 1997 the gender gap was relatively negligible in this regard, by 2005 it had become a substantial factor, most strikingly so in the area of rewards, where men and women experienced opposite shifts regarding the fulfilment of their expectations. This supports the hypothesis about the increasing homogeneity of labour values in terms of gender, however much this is still more an idea than a reality. With similar expectations but a lower status, women are increasingly critical of their actual positions (Table 6.2).

55 Here this refers to EU initiatives and recommendations in the area of the equal rights of men and women, gender mainstreaming, etc. [EC 2005].

Table 6.2. The degree of fulfilment of various work and job characteristics correlated with workers' characteristics (Spearman's rank order correlation coefficients)

	Sex	Age	Education	Occupation	Earnings	Self-employed
1997						
Security	-0.02	0.00	0.17**	-0.20**	0.16**	0.04
Reward	-0.03	0.05	0.25**	-0.25**	0.23**	0.16**
Promotion	0.04	0.03	-0.01	-0.02	0.03	0.08
Interesting	0.04	0.08	0.10*	-0.18**	0.17**	0.06
Independence	-0.02	0.01	-0.12**	0.03	0.02	0.10*
Useful job	-0.01	0.05	0.00	-0.02	0.02	0.01
2005						
Security	-0.10**	-0.04	0.06	-0.06	0.10	0.12**
Reward	-0.18**	0.06	0.19**	-0.14**	0.36**	0.12**
Promotion	-0.03	0.06	-0.04	0.04	0.12*	0.06
Interesting	-0.12**	0.04	0.05	-0.08	0.25**	0.08*
Independence	-0.11**	0.00	0.11**	-0.11**	0.18**	0.12**
Useful job	-0.11**	-0.03	0.01	-0.02	0.15*	0.05

Source: ISSP 1997 and 2005. Economically active respondents.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Note: Spearman's rank correlation coefficients are used on occasions when it is not convenient to assign actual values to variables, but only to assign a rank order to the instances of each variable. It is also a better indicator when the relationship between two variables is non-linear. The same conclusions can be reached using Kendall's Tau coefficient.

In contrast, *age differences* remained insignificant. This corresponds with the point made above about the decline in the importance of the life-cycle and age-related preferences in the 'market regime' compared to the 'basic needs regime' and the decline in the importance of the seniority applied under the communist system. We have only to bear in mind that in this case correlation coefficients have less explanatory power (underestimating the actual effect of the variable) owing to the curvilinear character of careers and their various associations in objective and subjective status. The comparison of 1997 and 2005 reveals a moderate shift from greater satisfaction among older workers to greater satisfaction among younger workers.

Important differences emerge when the data are broken down by *education*, which is particularly significant for attained earnings and independence at work. While these two characteristics maintained their importance in both years, there was a marked decline in the effect of education on obtaining a secure and interesting job. The rise in educational qualifications combined with a not very

dynamic economic and occupational structure necessarily produces such an effect.⁵⁶ Roughly the same process occurred in the correlations with broad *occupational categories*, although the association between the two variables is rather weak. Earnings rose distinctly in importance and became the most substantial correlate of the fulfilment of work and job expectations.

A separate dimension is the difference between *dependent and independent work*. On the one hand, self-employment or entrepreneurship allows more freedom and incentives for personal fulfilment but on the other hand, it also entails more problems and stress. Satisfaction with rewards, promotion opportunities, and the interest and independence of the work is certainly higher among the self-employed. The main change between 1997 and 2005 concerns, somewhat paradoxically, job security. The reason is that the sense of job security has decreased generally, but among the self-employed less so than among employees. The result is a growing difference between both groups.

As the explanatory power of such key labour market variables as education and occupation is generally decreasing, questions can be raised about the increasing subtleness of the differences in the labour market. Instead of the the obvious dimensions easily examined in statistics and surveys, the finer characteristics of workers are moving to the fore. 'Soft skills', such as adaptability and cooperativeness, and even a capacity for personal development, also matter. Gradually the type and quality of school will matter more than the level of education. In all other respects, standard variables are experiencing the same process of decreasing explanatory power as they are in earnings disparities [Večerník 2006].

6.4. Work commitment and job satisfaction

When the market regime was re-established it produced two sorts of people at the extremes of work commitment – the workaholic at one end and welfare-dependent persons at the other. The majority of people are located somewhere in between, usually inclined towards taking on less of a work burden and having more time for family and leisure. In both ISSP surveys, most respondents declared they already spend enough time on work and do not have enough time for their family, friends, and leisure. This perceived imbalance between work and leisure time somewhat grew in strength between 1997 and 2005. Provided the use of time was left to the discretion of respondents, in 1997, 11% of economically active respondents would have devoted more time to work, but just 8% in 2005, while 68% would have spent more time on hobbies and leisure in 1997, and 70% in 2005.

The *decline in work commitment* is quite striking. Between 1997 and 2005, the percentage of people reporting that they 'work only as hard as one has to' almost doubled (from 13% to 23%) while the percentage of those declaring that they 'make a point of doing the best work even if it sometimes interferes with one's private life' decreased considerably (from 53% to 37%). Another change occurred in the degree and structure of what determines the willingness to give work priority over personal life. This general attitude among people toward work is in 2005 determined less by workers' characteristics than in 1997, while the previously dominant distinction between employees and the self-employed became almost negligible.

56 This is what occurs in Western societies. As the share of persons with higher education rises, they increasingly spread over a larger area of the occupational hierarchy, toward filling in the lower ladders. This also affects the returns on education, which start to stagnate or decrease.

Since the traditional division of tasks between spouses (the man as breadwinner and the woman as housewife) have become blurred, work and family roles come into conflict, and people have to work hard to reconcile them. Work and family – which interferes with the other more? According to 2005 data (in 1997 no such mirror questions were posed), the interference does not seem to be that large. Among all employed respondents, job requirements are reported to harm (regularly or often) family life in 12% of cases, while the requirements of the family harm work in 5% of cases. If only respondents with dependent children (up to 18 years of age) are taken into account, the disharmony between family and work is only slightly higher – in 13% of cases work hurts a person's family, and in 8% family hurts a person's work.

Women report a *conflict between work and family* less often than men. They are more ready to cope with both roles than men are, and they do not consider the two to be in conflict. As reported in one survey, in the absolute majority of families it is women who look after the family most: in 40% of families women always perform the household chores and in 47% usually; 38% of female respondents declare they give priority to family 'absolutely' and another 48% 'somewhat more', while among male respondents (when the 'absolutely' and 'somewhat' options are summed up) 39% prefer the family, 33% prefer a balance between work and family, and 22% declare a preference for work [Kuchařová et al. 2006].

The explanation for women's attitudes must be sought in the continuing acceptance of the traditional division of labour in the family, with the main burden on the side of women. Of course, the degree to which a person assumes their family role depends on their current and their desired employment status. It also depends on the real and the potential gender wage gap. In couples where both partners are employees, the gap between the contributions made by the husband and the wife to the joint family budget decreased by 15 percentage points between 1988 and 2002 (measured as the percentage of the wife's wage to her husband's wage; in 2002 it was almost 80%). However, the correlation between spouses' earnings became stronger after 1989: the Pearson coefficient (0.17 in 1988) increased from 0.29 in 1996 to 0.37 in 2002. Conversely, the share of employed married mothers decreased.

Regarding the *relationships of employees to their employer*, it could be expected – given that Czechs prefer to be employees and to work in big companies or state organisations – that loyalty to an employer would be quite strong. However, this is true only to a small degree: strong agreement (among employees only) with the statement 'I am proud to be working for my firm or organisation' was expressed by 6–7% and moderate agreement by 33–34% of respondents in both years. In contrast to the stability of this opinion, strong agreement with the statement 'I am willing to work harder in order to help the firm or organisation to succeed' decreased from 12% to 7% and moderate agreement from 46% to 42% between 1997 and 2005. As a cross-national comparison of 1997 data showed, the level of loyalty to the employer is (like in other CEE countries) much lower than in Western countries [Večerník 2004].

The declining sense of loyalty towards employers could theoretically be a manifestation of and coincide with the increasing work flexibility of Czech workers, but again, in reality, this is evidently not the case. The information reported in statistics and sociological surveys reveals that the labour market is not very flexible and in recent years has stagnated. On the other hand, various tricks are practised, such as paying people informally in cash to supplement the official payment of minimum

wage, using self-employed persons to perform work instead of hiring people, hiring foreigners, and using contracting agencies to provide labour without any obligation on the employer's part. So, rather than being indicators of work flexibility in the formal economy, entrepreneurs tend also to operate on the edge of the informal economy, which is where they seek additional earnings. This corresponds well with the limited amount of loyalty expressed towards employers.

Table 6.3. Job satisfaction, by sex and education (index 0–100)

Education	Total		Men		Women	
	1997	2005	1997	2005	1997	2005
Elementary	68.0	67.2	66.4	74.8	68.6	65.1
Lower secondary	66.0	63.5	66.7	63.1	64.7	64.0
Secondary	71.2	71.8	69.4	71.3	72.7	72.2
Tertiary	74.9	69.8	74.7	71.4	75.4	66.5
Total	69.5	67.3	68.9	67.2	70.1	67.5

Source: ISSP 1997 and 2005. Economically active respondents.

The index was computed on a seven-point verbal scale so that the answer 'completely satisfied' =100 and 'completely dissatisfied' =0.

Various features and dimensions of work and jobs contribute to overall *job satisfaction* (Table 6.3). The majority of employed Czechs are satisfied in their jobs, and this indicator has only decreased very slightly even despite growing anxiety about jobs and allegedly increasing job requirements. Nevertheless, work and job satisfaction is a complex indicator, as it can reflect the quality of the job (demands for skills, the amount of personal autonomy involved, the interest and usefulness of the work performed) or the ease of working conditions (work that is not demanding, within fixed hours, without negatively affecting or hurting a person's family or personal life). However, it is to be expected nonetheless that the 'true' quality of a job will for the most part prevail in the perception of job satisfaction.

A person's perception of how well their work satisfies their expectations of having an interesting job allowing them personal autonomy is what was most closely associated with overall job satisfaction in 1997, followed by job security. In 2005, satisfaction with job security became more important and other factors somewhat less (Table 6.4). Yet another change has occurred over time, connected with the above-mentioned characteristic of the 'easiness' of work. In 1997, the connection between satisfaction and the general attitude towards work was quite high, being significantly higher among those who see intrinsic values in their job and lower among those who see their job only as a source of income. In 2005, this association fell to one-half of its previous value among men, but increased among women. More men than women are satisfied in their jobs, but seeing their job as a source of income only has become a far most important reason for this view.

Table 6.4. Fulfilled work and job expectations correlated with job satisfaction (Spearman's rank order correlation coefficients)

	Total		Men		Women	
	1997	2005	1997	2005	1997	2005
<i>Fulfilled:</i>						
Security	0.30**	0.33**	0.35**	0.37**	0.24**	0.29**
Reward	0.19**	0.23**	0.22**	0.24**	0.16**	0.24**
Promotion	0.14**	0.14**	0.18**	0.16**	0.08	0.12*
Interesting	0.46**	0.44**	0.45**	0.50**	0.48**	0.37**
Independence	0.32**	0.25**	0.39**	0.28**	0.25**	0.21**
Useful job	0.27**	0.26**	0.17**	0.25**	0.39**	0.26**
<i>Difference between expected and fulfilled characteristics:</i>						
Security	0.20**	0.21**	0.21**	0.22**	0.19**	0.19**
Reward	0.19**	0.16**	0.20**	0.14**	0.19**	0.18**
Promotion	0.06	0.09*	0.07	0.11*	0.05	0.07
Interesting	0.28**	0.22**	0.24**	0.27**	0.32**	0.16**
Independence	0.10*	0.09*	0.12*	0.08	0.08	0.10
Useful job	0.07	0.03	0.02	0.02	0.14*	0.05

Source: ISSP 1997 and 2005. Economically active respondents.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

For correlation coefficients see the note in Table 6.2.

This shift in the general attitudes towards work helps explain the fact that the degree to which perceived satisfaction is determined by the specific work and job characteristics fell dramatically between 1997 and 2005. While in 1997 the variance in satisfaction explained by the standard characteristics of workers in regression analysis (not reported here) reached 7.5%, the percentage in 2005 fell below 3%. While education still matters (although less), sex and age do not. Even earnings and self-employment have lost most of their explanatory power. Thus, while work satisfaction has remained at almost the same level, its variance in the population can no longer be explained statistically. It is likely to have completely shifted to an area of more subtle dimensions, which we are unable to measure.

6.5. Conclusion

There are only some vague tendencies rather than clear conclusions to report about work and job values. Gender has become a prominent dimension of work perception and has become at least as important as education. People prefer to work as employees, but loyalty to the employer is on the decrease. While job satisfaction remains high, it is increasingly derived from job security and earnings.

Overall, the common socio-economic characteristics of workers are losing their power to explain work attitudes. However, this does not mean that the world of attitudes has become detached from 'objective' life. Instead, it testifies to the inadequacy of our socio-economic variables, which fail to indicate more subtle levels and dimensions of people's socio-economic status and reasoning.

Here two additional aspects of work values warrant mentioning: the question of their role in the economy, and the question of the 'true' value change during the transition.

With regard to the first aspect, work values certainly play an important role in the economy, but not as simple a role as economists tend to assume. Job satisfaction is a frequent topic of study not only in sociological but also in economic literature [Freeman 1978]. There are many reasons for this interest: more satisfied workers are assumed to perform better in their jobs, while less satisfied workers are more likely to perform poorly and to abuse any opportunity to reduce their work load, take sick leave, and eventually leave the job. Work satisfaction is considered the best indicator of job quality. Positive associations between job satisfaction and work performance, stability, commitment, and loyalty to the employer are easy to demonstrate.

There is also a positive correlation between job satisfaction and labour productivity. Production sectors with higher levels of job satisfaction also display higher productivity, as the European Commission study based on the European Community Household Panel (ECHP) proves. There is a gap between highly skilled and elementary occupations. The importance of various personal and occupational characteristics for explaining job satisfaction is statistically significant but weak [EC 2002]. A regression analysis of a German joint 1992–1996 household panel cites workers' characteristics as accounting for 2% of the explained variance in West Germany and 4% in former East Germany. An analysis of a British household panel attributes to these characteristics 4% of the explained variance [Van Praag and Ferrer-I-Carbonell 2004: 56–58].

From these points of view, the Czech results regarding change over time are rather confusing. While work productivity is higher in foreign-owned companies, that is exactly where the level of satisfaction is lower, as opposed to domestically owned companies. This difference has become less pronounced over time, but it still exists. It could be that satisfaction is lower in firms where work organisation and control are tighter, which results in higher productivity but makes things less easy for workers. Between 1997 and 2005, work satisfaction decreased, particularly among professionals, which is the group in which intrinsic work values are concentrated. With regard to the low and decreasing degree to which workers' characteristics are determining job satisfaction, the variance these characteristics explain is even lower in the Czech Republic than in Western countries.

With regard to the second aspect, whether the change in regime brought about a *true value change* in the field of work and jobs, we must avoid moving to extremes, such as completely overlooking the change that occurred, or viewing the situations before and after transition as completely different. National value systems appear to be somewhat closed. As Pierre Bourdieu observed: "basic economic dispositions like needs, preferences and propensities – towards work, savings, investment, etc. – are not exogenous, i.e. dependent on universal human nature, but endogenous, i.e. dependent on history, which also represents the economic cosmos in which they are required and re-compensated" [Bourdieu 1997: 51, *author's translation*].

This is partly – although not completely – at odds with the mainstream economic approach of always finding a “set of ordinal preferences so that every action of the history is rational” [Becker and Stigler 1977]. Regardless of the forces of globalisation, national value systems are indeed somewhat closed, and it is difficult for values to truly change. Here, the considerations of Mariano Grondona are very inspiring: “The process of economic development reaches a crisis when a nation passes from one stage to the next. It is at that moment when temptations arise... When a nation is rich, something other than the pursuit of wealth must be present in its value system so that the wealth generated never suffices. This non-economic ‘something’ may be salvation, survival, excellence, prestige, or even empire: any value that will always be wanting” [Grondona 2000: 44].

Numerous temptations arose after 1989, the main one lying in the immense wealth to be transferred into – relatively few – private hands, mostly on the basis of contacts within established networks. For the rest of the population, the huge and mostly obscure process of the redistribution of property was a signal that it is not hard work per se but other personal abilities that determine an individual’s wealth and income. The relaxed attitude towards work, inherited from the previous regime, was thus again endorsed and maintained. The widespread critical examination of personal competencies that individuals undertook in the initial phase of transition was soon replaced with exaggerated expectations regarding career and pay, along with the requirement of continuing job security [Večerník 1996].

The social and cultural contexts matter no less than intrinsic values do. Of course, the tradition of self-fulfilment through work is deeper and, simultaneously, the competition tougher in the West. However, despite the continuing differences in work performance between the ‘East’ and the ‘West’, there is apparently no barrier between the two kinds of countries regarding what work values are expected and perceived. Work requirements are on average also weakening in the West, except at the two extremes of business elites at one end and low-skilled ‘flexi-workers’ at the other, made up of foreign labourers. A similar process is occurring in advanced post-transition countries, but it is especially notable in the Czech Republic, where somewhat relaxed attitudes toward work can no longer be attributed only to the legacy of the communist regime.

Conclusion

In a globalised economy, the labour market becomes a field of problems bigger than ever before. To challenge the increased competition and trade at the European and international levels, World and European institutions (World Bank, ILO, OECD, European Commission) devote more and more attention to this topic. It is not only the trends in employment and unemployment that are important but also their changing structure, job quality, and working conditions. Special focus is placed on the situation of the most vulnerable workers and the trends towards labour market segmentation and the exclusion of some categories or individuals. However, identifying risks – actual or potential – involves a larger segment of the population.

Survey data and multidimensional analysis of such data is required in order to tackle the problem in depth. There are many more issues at stake than what is covered by labour statistics and sociological surveys. Despite the abundance of information on the labour force and the labour market, the data are too fragmentary and dispersed to enable an analysis of current trends and possible future problems from various perspectives. What would particularly be required are large and homogeneous datasets covering a wide area of issues and suitable for multivariate analysis. Since those datasets are not available, it is only possible to make tentative hypotheses and highlight key issues and questions for the future.

There has been an improvement in the availability of data suitable for multidimensional analysis with existence of EUROSTAT's EU-SILC programme. Unlike the Labour Force Surveys, the new surveys contain many more variables, including subjective ones. In the Czech Republic, the first survey was conducted in 2001 as the programme's pilot survey. The first regular survey was conducted in 2005, involving income data from 2004. Unfortunately, some useful questions regarding employment and job satisfaction were not included in 2005. Since the middle of 2007, SILC data for all EU countries are also available for research. These will be used for comparison in our further research.

Not just structures but also policies and their implementation matter. Measures introduced since 2005, and more recently since 2007, have been inadequate to motivate people into work and off welfare dependency. Moreover, putting already adopted changes into practice may be difficult. Labour offices are understaffed, and therefore they are only able to comply formally with new forms of activation and the option of withdrawing benefits in cases of non-cooperation on the side of job seekers. Instead of a harmonised approach, benefits are provided separately by labour offices and municipalities. Instead of benefit reduction, mandatory spending on social protection is rising.

This state of affairs is to be challenged by newly planned measures, specifically the establishment of a National Bureau of Employment and Social Administration. Also, unemployment benefits should be made to have a more motivational effect by decreasing benefits according to the length of unemployment. The economy's current good performance means that the conditions are propitious for introducing reforms into the labour market. The structural imbalance between one-hundred-thousand unemployed people on the one hand and the lack of employees on the other hand could and should, at least partly, be solved at this time.

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Data Sources

Microcensus surveys

From the series beginning in 1958, we use the 1989 Microcensus conducted on a 2 percent random sample (N=69,912) in March 1989 and including yearly incomes in 1988, and the 1996 Microcensus, conducted on a 1 percent random sample (N=28,148) in March 1997 and including yearly incomes in 1996.

Social Situation of Households (SSH), 2001

A survey conducted by the Czech Statistical Office in May-June 2001 on a sample of 10 870 households (re-weighted for the entire population). In addition to household characteristics and income, various opinions on well-being and the person's employment were also asked.

Living Conditions 2005

The survey is the national part of the EU-SILC programme (European Union–Statistics on Income and Living Conditions). About 7000 households were addressed and 4351 successfully interviewed in early 2005, providing information about yearly income in 2004. While in 2002 declared incomes were slightly adjusted to other data sources, no adjustment was made in 2004.

ISSP modules on Work Orientations 1997 and 2005

Surveys that originated in 1983 under the international ISSP research project. The ISSP module on Work Orientations was applied for the first time in the Czech Republic in September 1997 by STEM agency (N=1014, of which 505 economically active) and for the second time in May 2005 by SC&C agency (N=1226, of which 660 economically active). The survey contains data that relate not just to opinions and beliefs about jobs and work but also to perceptions of working conditions and job stability.

Working Conditions, 2000

A survey conducted by STEM/MARK agency for the Ministry of Labour and Social Affairs in September 2000 on 1029 economically active persons over 15 years of age. The questionnaire copied the one applied by the European Foundation for the Improvement of Living and Working Conditions in an international survey.

Households, Work and Flexibility (HWF), 2001

A survey conducted by STEM agency in 2001 on 1556 person aged 15–64 in the Czech Republic. Other countries involved in the EU 6thFP project were Hungary, Slovenia, Bulgaria, Romania, Great Britain, Netherlands, and Sweden. The survey focuses on the objective characteristics of employment, multiple jobs, and work conditions with regard to hours, location, and contract arrangements. Czech

survey was conducted by STEM agency in spring 2001 on a random sample of 1556 persons aged 15–64 (see www.hwf.at).

The World and European Values Study was first conducted in 1978. The former Czechoslovakia and eight other post-communist countries joined the project in its second wave in 1991. Here, we refer to the third and last wave conducted in 1999 in 27 countries.

Economic Expectations and Attitudes (EEA)

The surveys of the Czechoslovak and later only the Czech population started in May 1990 and were conducted biannually in 1990–1992 and later annually (1993–1998). The data were collected by STEM agency.

Abbreviations

ALMP	Active Labour Market Policies
ECHP	European Community Household Panel
EEA	Economic Expectations and Attitudes (surveys)
EU-SILC	European Union – Statistics on Income and Living Conditions
HWF	Households, Work and Flexibility (survey)
IALS	International Adult Literacy Survey (survey)
IPF	Investment Privatization Fund
LFS	Labour Force Surveys
MLSA	Ministry of Labour and Social Affairs
RILSA	Research Institute of Labour and Social Affairs
SSH	Social Situation of Households (survey)
STEM	Centre for Empirical Surveys (agency)

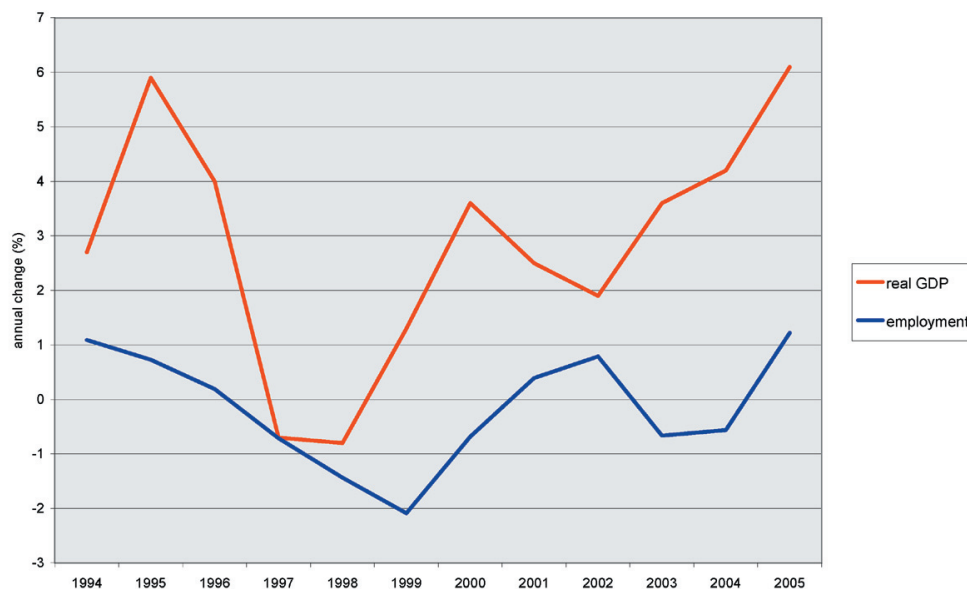
Appendix 1: The structure of employment in the Czech Republic 1993–2005

Natálie Reichlová

Between 1993 and 2005 total employment dropped from 4 873 500 to 4 764 000. The number of employed had been rising since 1993, peaking at 4 972 000 in 1996. However, after that the number gradually declined until 2000; it finally reached a low in 2004 (4 706 600). The share of women in the labour market was approximately 43%.

Figure A1.1, which shows the annual percentage change in both GDP and the total employed population between 1994 and 2005, demonstrates that GDP development is followed with some delay by changes in employment. Employment first declined in 1997, but the biggest fall occurred in 1999, when the number of employed decreased by more than 2%. After that, the changes fluctuated between -1% and 1% and reached 1.22% in 2005.

Figure A1.1. GDP and total employment (annual change, %)

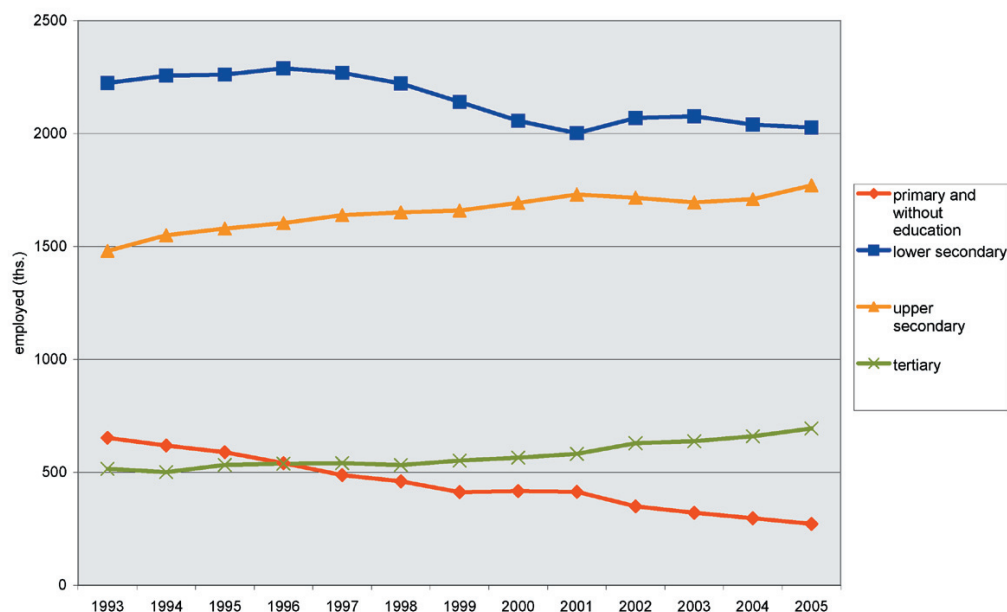


Source: Czech Statistical Office.

While there was a significant increase in the number of employed with higher education between 1993 and 2005, the share of employed with primary or without any education fell from 13% to almost 6% in 2005. The proportion of employed with upper and post-secondary education decreased moderately till 2001, but since 2002 it has been growing slightly again. The share of employed with tertiary education increased gradually from 11% in 1998 to 15% in 2005.

A comparison with other European countries offers an interesting picture: on the one hand, the Czech Republic, together with Slovakia, ranks among the countries with the lowest share of employed with ISCED values 0 to 2 (without education up to lower secondary education). On the other hand, the share of employed with tertiary education (ISCED values 5 and 6) in the Czech Republic is one of the lowest in the EU-25, where it ranges from 13.7% in Portugal to 37.3% in Belgium.

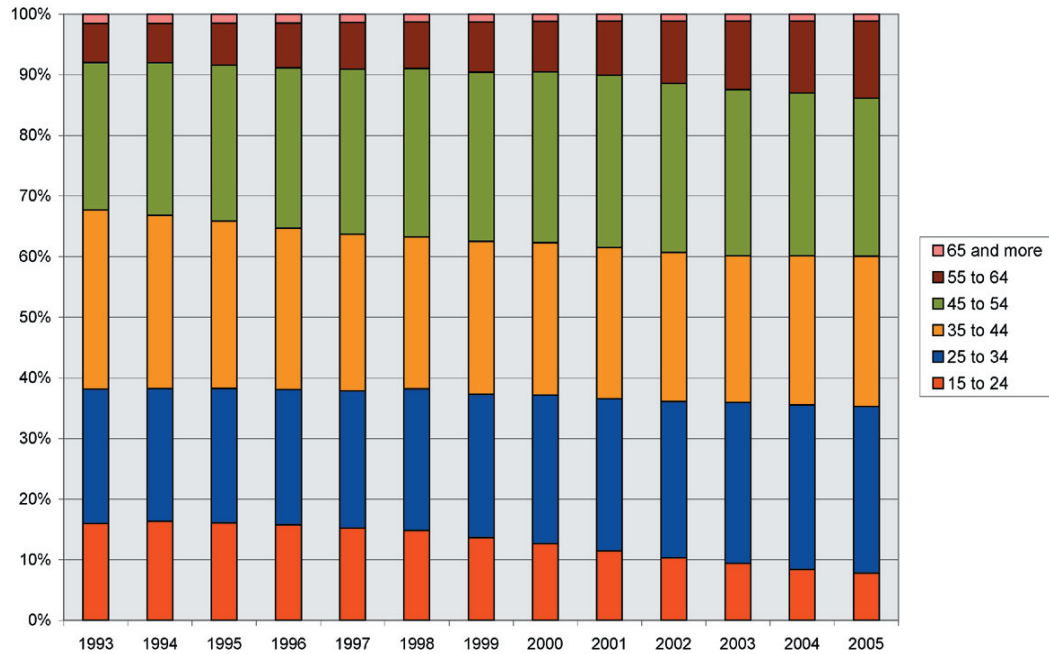
Figure A1.2. Total employment, by education (in thousands)



Source: Czech Statistical Office.

Between the years 1993 and 2005 the trend in the age structure of the employed moved towards a higher proportion of older age groups in the labour market: there was an increase in the proportion of the 45-64 age group out of total employment (30.8% in 1993 to 39% in 2005). While people between the ages of 15 and 24 accounted for 16% of everyone employed in 1993, this share dropped to only 7.8% in 2005. This trend conforms to trends in other European countries, where the share of the 15-24 age group dropped from 14% to 10%, while the share of the 45-64 age group rose during the same period from 30% to 35%.

Figure A1.3. Total employment, by age (in %)



Source: Czech Statistical Office.

The employment structure by occupation (ISCO classification)

ISCO-88 codes (International Standard Classification of Occupation 1988) are used here to describe in detail the employment structure in the Czech Republic. The ISCO codes divide the employed into ten main categories: 1) legislators, senior official and managers; 2) professionals; 3) technicians and associate professionals; 4) clerks; 5) service workers and shop and market sales workers; 6) skilled agricultural and fishery workers; 7) craft and related trades workers; 8) plant and machine operators and assemblers; 9) elementary occupations; 10) armed forces.

Table A1.1. Employment by ISCO in 1993-2005 (in thousands)

ISCO	1993	1994	1995	1996	1997	1998	1999	2000	2001 ¹⁾	2001	2002	2003	2004	2005
1 Legislators, senior official and managers	214.0	253.6	305.8	333.1	328.0	324.9	313.0	290.7	302.8	301.5	303.5	285.7	291.8	294.2
2 Professionals	446.2	435.4	468.3	468.4	478.5	468.6	478.3	504.8	509.8	506.3	486.6	484.9	499.1	515.7
3 Technicians and associate professionals	873.4	897.4	890.1	889.9	890.8	872.6	878.4	883.0	902.0	896.9	912.3	952.0	974.0	1039.4
4 Clerks	360.5	373.2	378.4	389.5	398.5	394.0	367.8	364.7	383.3	381.5	406.6	380.3	373.2	357.8
5 Service workers and shop and market sales workers	517.5	550.1	556.8	566.9	582.7	597.3	576.7	567.8	581.8	578.7	597.1	593.9	577.8	575.4
6 Skilled agricultural and fishery workers	127.7	123.1	121.9	118.4	110.6	104.7	98.2	95.8	91.2	91.0	91.2	87.8	81.6	76.0
7 Craft and related trades workers	1114.8	1094.3	1072.4	1050.5	1040.2	1025.7	994.1	965.6	940.3	936.6	935.1	926.3	905.0	888.3
8 Plant and machine operators and assembles	643.0	655.1	639.9	638.4	623.8	613.3	608.8	606.6	620.3	618.3	628.7	624.6	631.0	655.3
9 Elementary occupations	495.8	468.4	469.0	456.4	428.2	415.2	392.1	393.3	373.5	372.0	366.1	360.8	348.3	344.9
10 Armed forces	71.0	63.8	54.6	57.5	52.1	48.0	55.2	56.1	43.4	43.3	34.9	35.7	22.7	14.8

Source: Czech Statistical Office.

Note: 1) Data weighted to demographic statistics before the Census 2001.

The number of people employed in group 3 increased noticeably (by almost 4 percentage points to 22% of all employed) between 1993 and 2005 (see Table A1.2). While a rise also occurred in groups 1, 2, and 5, the percentage share declined in categories 0, 6, 9, and 7, where the share in total employment decreased by even more than 4 percentage points.

Table A1.2. Employment structure by ISCO

ISCO	1993						2005					
	total		men		women		total		men		women	
	Ths.	%	Ths.	%	Ths.	%	Ths.	%	Ths.	%	Ths.	%
Total	4 873.5	100.0	2 735.4	100.0	2 138.1	100.0	4 764.0	100.0	2 705.5	100.0	2 058.5	100.0
1 Legislators, senior official and managers	214.0	4.4	159.8	5.8	54.2	2.5	294.2	6.2	207.1	7.7	87.2	4.2
2 Professionals	446.2	9.2	220.0	8.0	226.2	10.6	515.7	10.8	257.3	9.5	258.3	12.5
3 Technicians and associate professionals	873.4	17.9	390.5	14.3	482.8	22.6	1 039.4	21.8	486.8	18.0	552.6	26.8
4 Clerks	360.5	7.4	71.3	2.6	289.2	13.5	357.8	7.5	82.5	3.0	275.3	13.4
5 Service workers and shop and market sales workers	517.5	10.6	160.9	5.9	356.6	16.7	575.4	12.1	204.2	7.5	371.2	18.0
6 Skilled agricultural and fishery workers	127.7	2.6	60.9	2.2	66.8	3.1	76.0	1.6	47.7	1.8	28.3	1.4
7 Craft and related trades workers	1 114.8	22.9	916.2	33.5	198.6	9.3	888.3	18.6	778.0	28.8	110.2	5.4
8 Plant and machine operators and assembles	643.0	13.2	485.7	17.8	157.3	7.4	655.3	13.8	487.6	18.0	167.8	8.2
9 Elementary occupations	495.8	10.2	194.0	7.1	301.8	14.1	344.9	7.2	140.0	5.2	204.9	10.0
10 Armed forces	71.0	1.5	69.9	2.6	1.0	0.0	14.8	0.3	13.1	0.5	1.6	0.1

Source: Czech Statistical Office.

The largest number of men are employed in category 7 (craft and related trades workers), whereas most women have jobs in category 3 (technicians and associate professionals). The proportion of women employed in particular categories tends to be relatively stable: the only substantial increase occurred in groups 2 and 3, while groups 7 and 9 decreased markedly.

The multidimensional statistical method of cluster analysis was used to find similarities and disparities in the development of employment in particular ISCO groups. The original data set, which comprises the number of people employed in particular categories, was used to create a new data set that includes the annual percentage changes in employment in particular ISCO groups between 1993 and 2005 (see table A1.3).

Table A1.3. Annual percentage change in employment, by ISCO

	1994	1995	1996	1997	1998	1999	2000	2001 ¹⁾	2001	2002	2003	2004	2005
1 Legislators, senior official and managers	18.5	20.6	8.9	-1.5	-0.9	-3.7	-7.1	4.1	-0.4	0.7	-5.9	2.1	0.8
2 Professionals	-2.4	7.5	0.0	2.2	-2.1	2.1	5.5	1.0	-0.7	-3.9	-0.4	2.9	3.3
3 Technicians and associate professionals	2.8	-0.8	0.0	0.1	-2.0	0.7	0.5	2.1	-0.6	1.7	4.3	2.3	6.7
4 Clerks	3.5	1.4	2.9	2.3	-1.1	-6.7	-0.8	5.1	-0.5	6.6	-6.5	-1.9	-4.1
5 Service workers and shop and market sales workers	6.3	1.2	1.8	2.8	2.5	-3.4	-1.6	2.5	-0.5	3.2	-0.5	-2.7	-0.4
6 Skilled agricultural and fishery workers	-3.6	-1.0	-2.9	-6.6	-5.4	-6.2	-2.4	-4.7	-0.3	0.2	-3.7	-7.1	-6.9
7 Craft and related trades workers	-1.8	-2.0	-2.0	-1.0	-1.4	-3.1	-2.9	-2.6	-0.4	-0.2	-0.9	-2.3	-1.9
8 Plant and machine operators and assembles	1.9	-2.3	-0.2	-2.3	-1.7	-0.7	-0.4	2.3	-0.3	1.7	-0.7	1.0	3.9
9 Elementary occupations	-5.5	0.1	-2.7	-6.2	-3.0	-5.6	0.3	-5.0	-0.4	-1.6	-1.4	-3.5	-1.0
10 Armed forces	-10.2	-14.4	5.3	-9.2	-7.9	15.0	1.5	-22.6	-0.2	-19.4	2.2	-36.5	-34.9

Source: Czech Statistical Office.

Note: 1) Data weighted to demographic statistics before the Census 2001.

The result of the cluster analysis is presented in the dendrogram in Figure A1.4. The analysis divided the ISCO categories into several clusters. Categories 1 and 10 show the specific development of employment. Employment in category 1 (legislators, senior officials, and managers) on average grew annually by 2.8%, while the number of employed in category 10 (armed forces) decreased almost throughout the entire period on average by 10% annually (except for the year 1999 when the number of servicemen rose by 15%). This considerable decrease is connected with the restructuring of the Czech army after the fall of the Iron Curtain at the beginning of the 1990s, and with the upcoming professionalisation of the army in 2005.

Three category clusters can be distinguished in the middle of the dendrogram in Figure A1.4. The number of employed in the first cluster, which includes categories 2, 3, and 8, increased annually on average by 1%. The second cluster, with categories 4 and 5, achieved an average annual growth of 0.5%, and the third cluster, with categories 6, 7, and 9, an average annual decrease of 2.8%.

Figure A1.4. Cluster analysis based on the percentage change of employment in ISCO categories

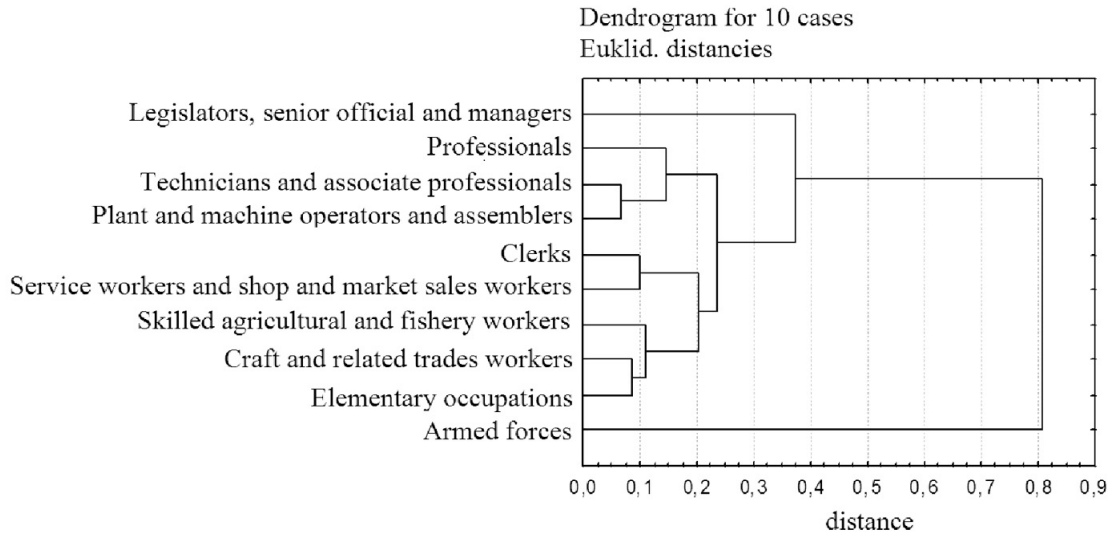


Figure A1.5 depicts the cluster analysis result for the number of males and females employed in particular ISCO categories. The development of employment in both gender groups resembled each other in most cases, and indeed a different development of employment for men and women within the same ISCO category was only noticed at categories 2 (Professionals), 4 (Clerks) and 7 (Craft and related trades workers). The development for men and women is also similar in category 2, however, the employment of women in the category shows a much bigger deviation than male employment; the increase in female employment is negligible in comparison with the increase in male employment in 2005. Female employment in ISCO 7 is declining more rapidly (on average, by 4.7% annually) than male employment (on average, by 1.3% annually). Male employment in category 4 (Clerks) was growing, on average, by 1.5% annually, while female employment in this category was relatively stable, except for the year 2005 when it declined moderately.

Figure A1.5. Cluster analysis based on the percentage change of employment in ISCO categories, by gender

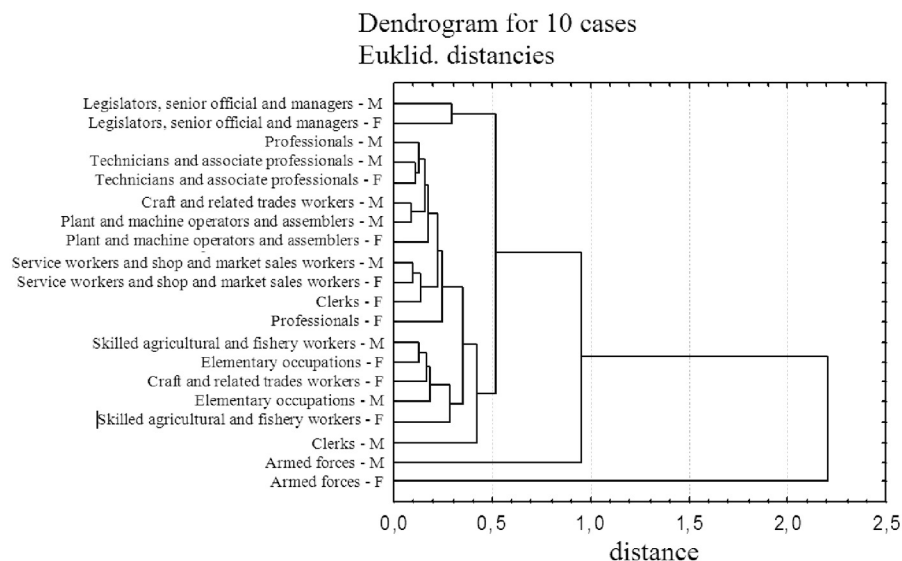


Table A1.4. Change in the educational structure in ISCO categories (in %)

		iscsd 0-2	iscsd 3-4	iscsd 5-6
isco0 Armed forces	1998	0.0	59.3	40.7
	2005	0.0	47.7	54.5
isco 1 Legislators, senior official and managers	1998	1.0	63.3	35.8
	2005	2.2	65.3	32.4
isco 2 Professionals	1998	0.0	28.3	71.5
	2005	0.2	37.4	62.2
isco 3 Technicians and associate professionals	1998	0.8	82.4	16.8
	2005	1.3	85.8	12.8
isco 4 Clerks	1998	3.6	92.6	3.9
	2005	6.2	90.4	3.2
isco 5 Service workers and shop and market sales workers	1998	6.4	91.3	2.3
	2005	9.8	88.3	1.7
isco 6 Skilled agricultural and fishery workers	1998	14.5	82.2	2.6
	2005	22.4	74.5	2.4
isco 7 Craft and related trades workers	1998	3.8	95.6	0.6
	2005	7.0	92.4	0.5
isco 8 Plant and machine operators and assemblers	1998	12.3	87.2	0.5
	2005	16.2	83.2	0.3
isco 9 Elementary occupations	1998	27.8	71.4	0.7
	2005	36.9	61.9	0.6

Source: Czech Statistical Office.

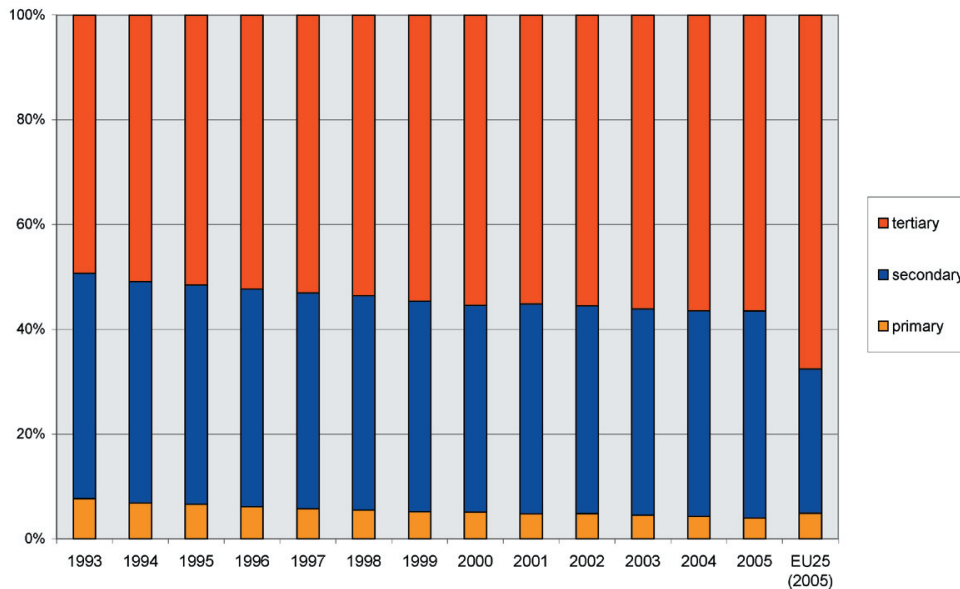
Table A1.4 shows the structure of education in particular ISCO categories in the years 1998 and 2005. Category 0 (Armed forces) is the only category where the share of those employed with the highest level of education (ISCED 5 and 6) increased, while, for example, category 2 (Professionals) experienced a decline by almost 10 percentage points between 1998 and 2005.

Although the number of employed with tertiary education decreased in most of the categories, the total share of employed people with tertiary education increased. The reason is the relatively faster growth of employment in sectors with a high number of people with tertiary education, for example, ISCO categories 1, 2, and 3.

The employment structure by sector

In EU countries, 67.6% of the employed population work in services, 27.5% in industry, and 4.9% in agriculture. In the Czech Republic, the share of people employed in industry is still considerably high (almost 40%), but a moderate decline (3 percentage points) was registered in industry between 1993 and 2005. Also, employment in the primary sector is decreasing gradually: while 7.7% of the working population was employed in agriculture in 1993, in 2005 it was only 4%. These changes are followed by a corresponding increase in employment in services (from 49.4% in 1993 to 56.5% in 2005).

Figure A1.6. Share of sectors in employment (in %)



Source: Czech Statistical Office.

The steepest increase (by 202%) occurred in the Activities of households sector between 1993 and 2005. However, it still accounts for a negligible share of total employment. An interesting rise also took place in the Financial intermediation sector (by 42%). The primary sector, on the other hand, experienced a fall of employment in Agriculture, hunting and forestry (a drop by almost one-half) and

Fishing. An inevitable decrease in employment occurred also in the Mining and quarrying sector, which suffered from a capacity excess inherited from the past. Manufacturing steadily reached its peak share of almost one-third of total employment, despite its slight decline during the survey period (by 2.4 percentage points).

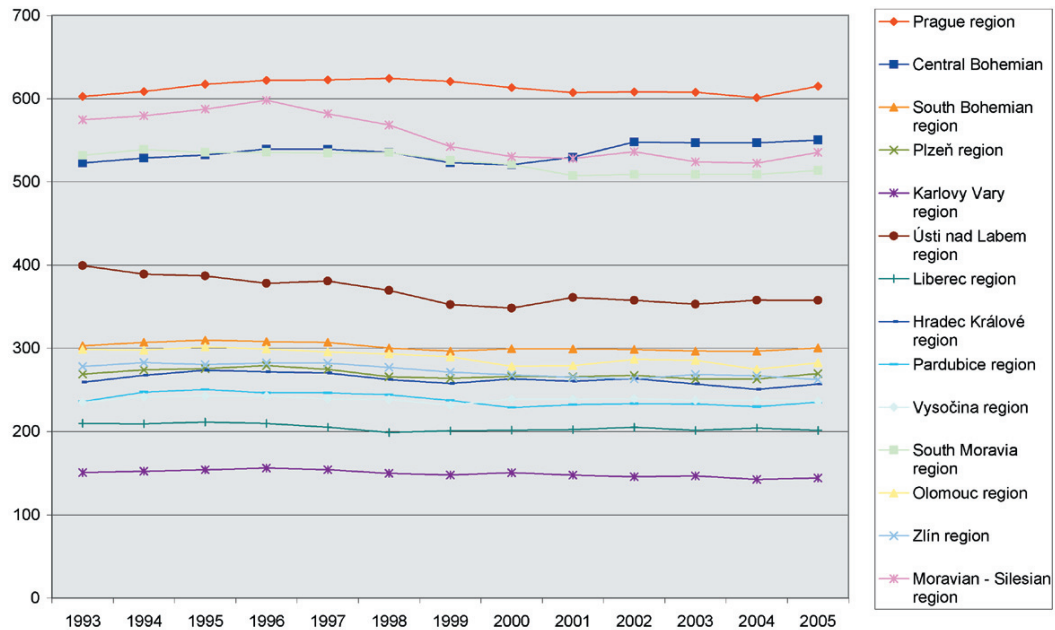
Table A1.5. Employment structure by sector (% of total employment)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture, hunting and forestry	6.6	5.8	5.3	5.0	4.7	4.5	4.2	4.0	3.8	3.9	3.6	3.5	3.2
Fishing	1.1	1.1	1.2	1.1	1.1	1.0	1.0	1.1	1.0	0.9	0.9	0.8	0.8
Mining and quarrying	2.6	2.0	2.0	1.8	1.8	1.8	1.6	1.5	1.4	1.3	1.1	1.2	1.0
Manufacturing	29.6	29.0	28.6	28.3	27.7	27.6	27.5	27.1	27.7	27.7	27.3	27.1	27.2
Electricity, gas and water supply	2.0	2.0	2.1	2.0	1.9	1.9	1.8	1.6	1.8	1.8	1.6	1.6	1.6
Construction	8.7	9.2	9.2	9.4	9.7	9.7	9.3	9.3	9.0	8.9	9.3	9.3	9.6
Wholesale and retail trade; repair of motor vehicles...	10.5	12.0	12.5	12.9	13.3	13.3	13.4	13.0	12.8	13.0	13.3	13.4	12.9
Hotels and restaurants	3.1	3.0	3.1	3.1	3.4	3.5	3.3	3.3	3.4	3.6	3.6	3.7	3.8
Transport, storage and communication	8.0	7.5	7.7	7.8	7.7	7.8	7.8	7.9	7.7	7.7	7.6	7.7	7.5
Financial intermediation	1.4	1.6	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Real estate, renting and business activities	4.5	4.9	4.9	5.2	5.1	5.1	5.4	5.6	5.4	5.6	6.0	6.0	6.1
Public admin. and defence; compulsory social security	6.3	6.5	6.1	6.2	6.5	6.6	7.1	7.2	7.2	6.8	7.0	6.9	7.0
Education	6.5	6.3	6.2	6.3	6.2	5.9	6.0	6.3	6.3	6.5	6.1	5.9	6.2
Health and social work	5.8	5.7	5.7	5.5	5.5	5.5	5.8	6.1	6.4	6.4	6.5	6.9	6.9
Other community, social and personal service activities	3.3	3.3	3.4	3.3	3.3	3.8	3.7	3.7	3.8	3.8	3.9	3.9	4.0
Activities of households	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Extra-territorial organizations and bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Czech Statistical Office.

Employment rose in the Central Bohemian region (by 5%) and in the Prague region (by 2%) while it stagnated or declined in other regions over the period between 1993 and 2005. The most apparent decline occurred in the Ústí nad Labem region, where the number of employed decreased by more than 10%. A decline by more than 5% was recorded in the regions of Olomouc and Zlín and in the Moravian-Silesian region.

Figure A1.7. Employment by region (in thousands)



Source: Czech Statistical Office.

The increase in employment was most noticeable in the Prague region, as it exhibits a markedly different employment structure by sectors. With high employment in services (78.8%) and relatively low employment in industry (20.6%) and agriculture (0.7%), this region can be ranked with the most developed European countries, like Belgium, Denmark or Luxembourg.

The employment structure in the Central Bohemian region corresponds to the national average: low employment in agriculture and, in comparison with more developed countries, high employment in industry. The regions that suffered most from the employment decline were the regions with high employment in industry (more than 40%).

The share of employment in agriculture ranges from 0.7% in the Prague region to 8.9% in the Vysočina region, the share of employment in industry fluctuate between 20.6% in the Prague region to more than 53% in the Liberec region. Employment in the tertiary sector, which is usually high in developed economies, is highest in the Prague region and lowest in the Liberec and Vysočina regions.

Table A1.6. Employment in regions, by sectors (in %)

	Agriculture	Industry	Services
Prague region	0.7	20.6	78.8
Central Bohemian region	4.1	38.3	57.6
South Bohemian region	6.6	40.3	53.1
Plzeň region	5.3	43.5	51.2
Karlovy Vary region	2.6	44.2	53.2
Ústí nad Labem region	2.8	41.1	56.1
Liberec region	2.4	53.5	44.1
Hradec Králové region	3.8	41.0	55.2
Pardubice region	4.9	45.8	49.3
Vysočina region	8.9	46.5	44.5
South Moravian region	3.6	39.1	57.3
Olomouc region	6.0	42.9	51.1
Zlín region	3.6	48.9	47.5
Moravian-Silesian region	3.0	44.3	52.7

Source: Czech Statistical Office.

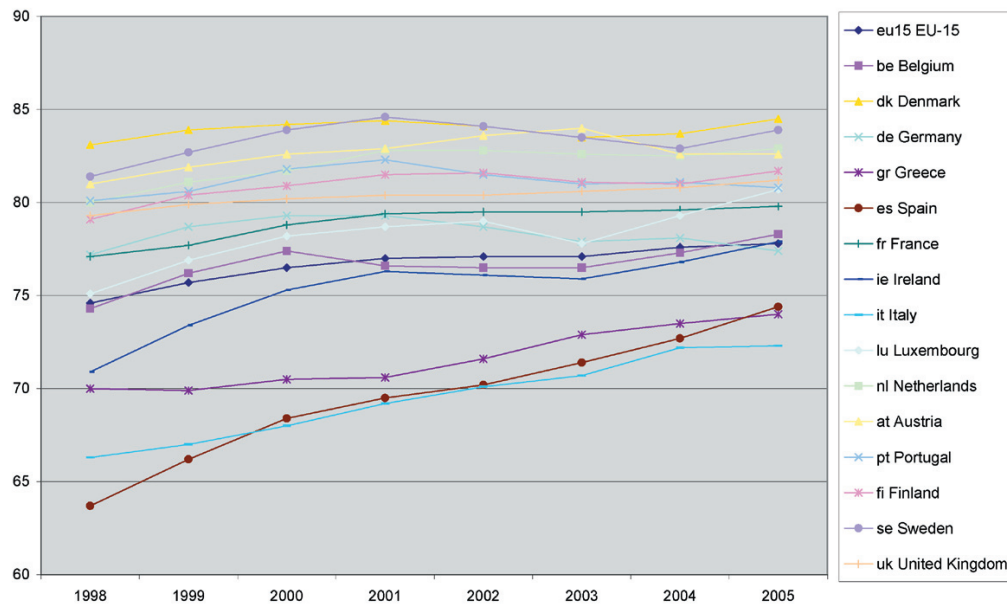
In general, the employment structure in the Czech Republic displays a tendency to converge with the employment structure in the EU-15, which is characterised by high employment in the tertiary sector, decreasing employment in the 15 to 24 age group, and, conversely, increasing employment among people aged 55 to 64.

Appendix 2: Structure of employment in the Czech Republic and the EU

Natálie Reichlová

As Figure A2.1 shows, the employment rate in the EU was increasing in the period between 1998 and 2005 (the period under observation). However, the tendency for more rapid growth in employment rates was predominant in countries where this figure had been very low, which results in an approximately even distribution of the employment rate across the EU countries at the end of the period under observation. Of the countries in which the growth in the employment rate exceeded 5 percentage points (Ireland, Italy, Luxembourg, Spain), the last cited experienced the fastest growth (by more than 10 percentage points). On the whole, employment grew in all EU-15 member states, despite the subtle growth in countries like Germany and Portugal (by less than 1 percentage point).

Figure A2.1. Employment rate, 24-54 age group, EU-15 (in %)

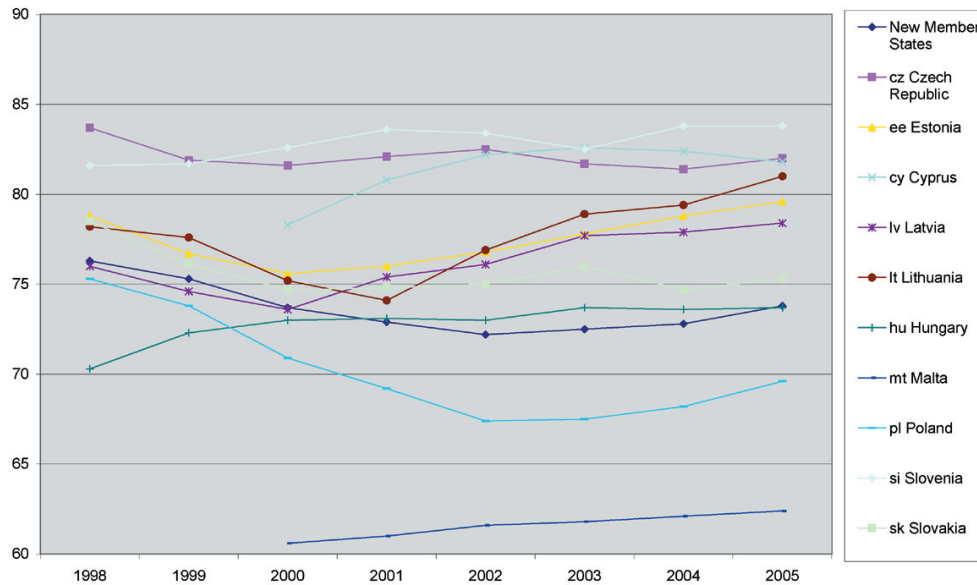


Source: Eurostat.

On average the employment rate was 4 percentage points lower in the ten new member states (EU-10) than in the EU-15, the only exception being Malta, where the employment rate lies far below

the EU-25 average. The most advanced new member states (Czech Republic, Cyprus, and Slovenia) showed the highest employment rates. Compared to the EU-15, the employment rate was decreasing in many EU-10 countries as a result of the ongoing economic restructuring in these countries. The most apparent decline occurred in Poland (almost 6 percentage points), Slovakia (3.2 percentage points), and the Czech Republic (1.7 percentage points).

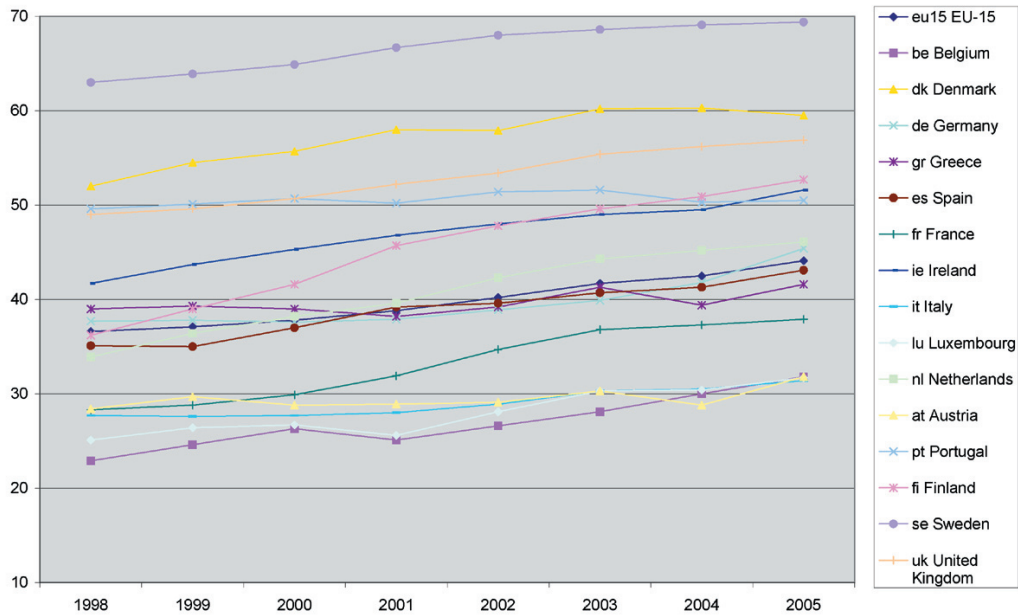
Figure A2.2. Employment rate, 24-54 age group, EU-10 (in %)



Source: Eurostat.

During the period under observation, the employment rate in the 55-64 age group gradually increased in the EU-15; the highest employment rate in this age group was in Sweden, the lowest in Belgium. The steepest increase occurred in Finland (by 16.5 percentage points) and in the Netherlands (by 12.2 percentage points).

Figure A2.3. Employment rate, 55-64 age group, EU-15 (in %)



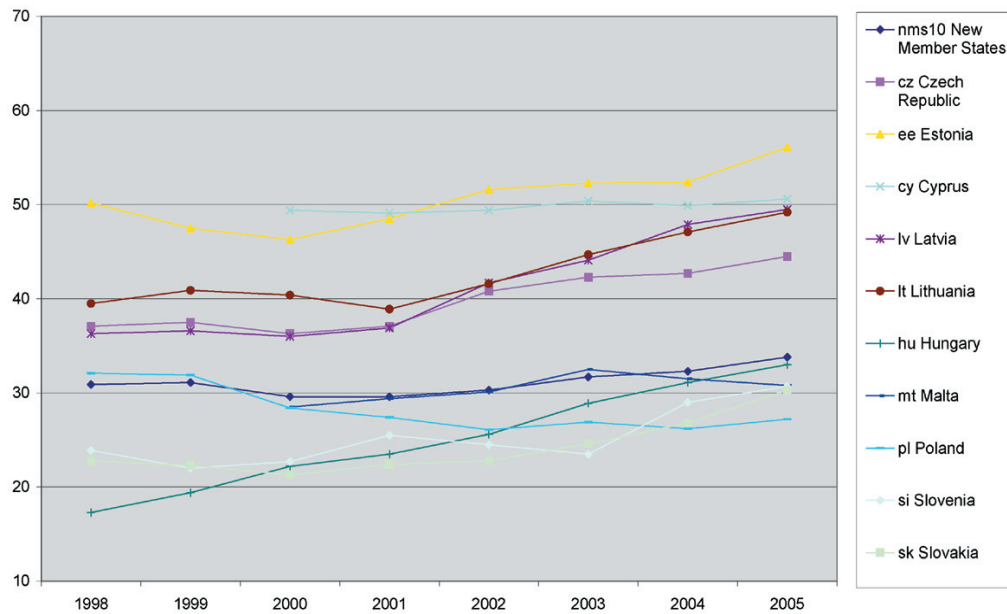
Source: Eurostat.

The situation was quite different in the EU-10, where less straightforward development of employment rates was observed. Before the year 2000 many countries experienced a decline in the employment rates in the 55-64 age group. The most obvious example of this occurrence was Poland, where a decrease by almost 5 percentage points was observed.

The employment rate in the 15-24 age group reflects also the participation of young people in the system of education. Therefore, one of the EU targets declared in the Lisbon Strategy is to increase the number of young people participating in the system of education.

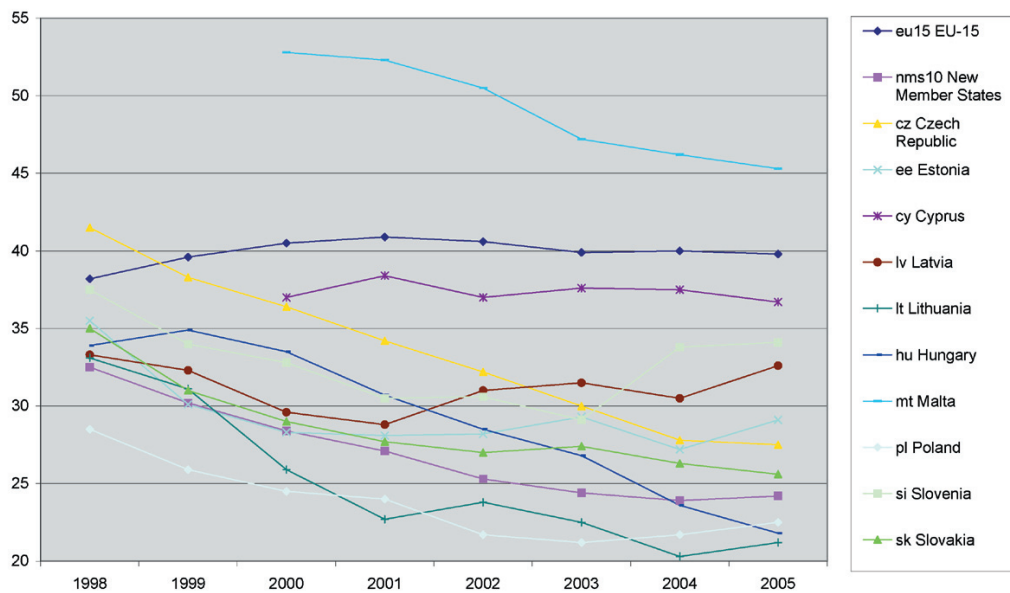
Figure A2.5 shows that the employment rate in the 15-24 age group increased by almost 2 percentage points in the EU-15 over the period under observation and the share of young people in the labour market currently accounts for approximately 40%. The development in the EU-10 exhibits more dramatic changes: the employment rate of the aforementioned age group decreased by almost 13 percentage points and is currently less than 25%.

Figure A2.4. Employment rate, 55-64 age group, EU-10 (in %)



Source: Eurostat.

Figure A2.5. Change of the employment rate, 15-24 age group, EU-15 and EU-10 (in %)



Source: Eurostat.

This development in the EU-10 is caused by two factors. First, there was a substantial growth of unemployment (by 10.3 percentage points) in this age group over the period of the survey. The Czech Republic was not an exception: in 1999 this trend peaked there with an increase in unemployment of almost 5 percentage points.

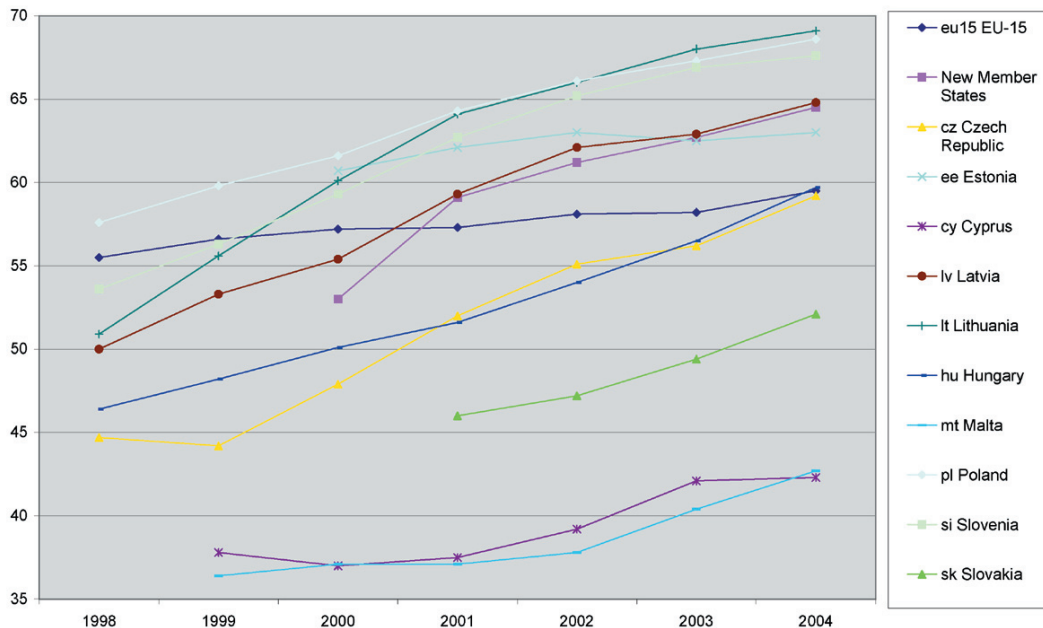
Table A2.1. Unemployment rate, 15-24 age group (in %)

	1998	1999	2000	2001	2002	2003	2004	2005
EU-15	19.1	17.2	15.3	15.2	15.7	16.5	16.7	16.9
EU-10	20.1	25.3	28.7	31.4	32.2	32	31.7	30.4
Czech Republic	12.8	17.7	17.8	17.3	16.9	18.6	21	19.2

Source: Eurostat.

The second factor is the number of people aged 15 to 24 who chose to attend some educational institution instead of work. While the participation rate in the system of education increased by 4 percentage points over the seven years in the EU-15, the same figure soared by 11.5 percentage points in the EU-10. The figurative first place is held by the Czech Republic, Lithuania, and Latvia, where the increase in participation in the system of education was the biggest (Figure A2.6).

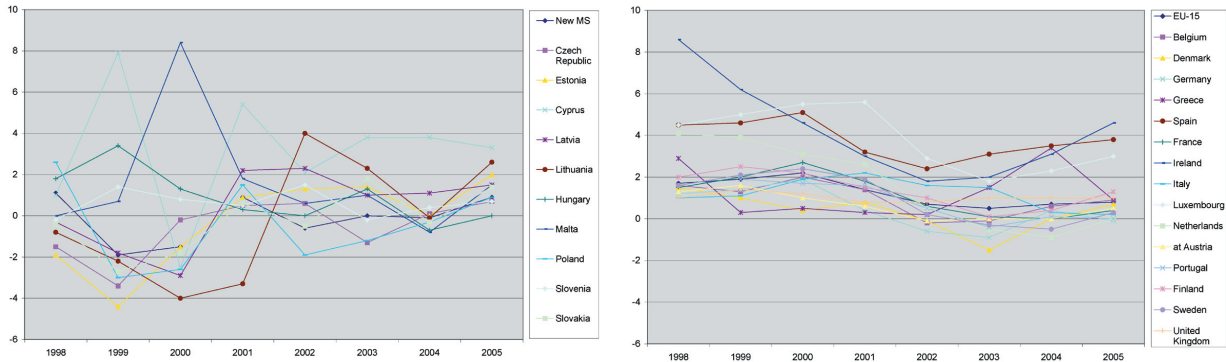
Figure A2.6. Participation rate in education, 15-24 age group (in %)



Source: Eurostat.

In the period under observation there was a decrease in the employment rate in only four of the 25 EU countries: the Czech Republic (by 3%), Poland (by more than 8%), Lithuania and Estonia. The highest growth, on the other hand, occurred in Luxembourg, Spain, Ireland, and Cyprus (more than 25%).

Figure A2.7. Annual change of employment in EU-10 and EU-15 (in %)



Source: Eurostat.

Figure A2.7 shows the annual changes in the employment rate (EU-15 and EU-10 are treated separately). The development of the EU-10 was considerably less stable, especially before the year 2002, due to the ongoing structural changes of the markets. This period was also marked by a decrease of total employment in these countries. The Czech Republic experienced two periods of major decrease: the years 1998 to 2000 and the year 2003.

Table A2.2 structures the employed in the EU according to their education. It shows the educational structure of the whole society and also provides information about the level of unemployment in different educational categories. In general, with the exception of Greece, the lower education groups showed a higher unemployment rate. However, the differences in the unemployment rates among educational categories in the EU-10 are more substantial in comparison with the EU-15 member states. In the EU-15, the difference in unemployment between ISCED 0–2 and ISCED 3–4 amounts on average to 3 percentage points, while it is close to 10 percentage points in the EU-10. In the Czech Republic, according to the latest available data (fourth quarter of 2005), the unemployment rate was 26.4% in ISCED 0-2, 7% in ISCED 3-4, and only 2.6% in ISCED 5-6.

After Slovakia, in the Czech Republic has the lowest share of people employed in ISCED 0–2, while the share of people employed in ISCED 3-4 is 79%. In comparison with other EU countries, the Czech Republic is among the countries where the share of people with the highest levels of education is the lowest (ISCED 5-6).

Table A2.2. Employment structure by educational attainment levels, in %, 2Q 2006

	iscd 0-2	iscd 3-4	iscd 5-6		iscd 0-2	iscd 3-4	iscd 5-6
Slovakia	5	78	17	Sweden	15	55	30
Czech Republic	6	79	15	Germany	16	59	25
Lithuania	8	61	31	Austria	18	64	18
Poland	10	68	22	Finland	19	47	34
Estonia	11	55	35	Denmark	20	47	33
Latvia	14	62	24	Great Britain	22	46	31
Hungary	14	65	22	Belgium	25	38	37
Slovenia	16	61	23	Netherlands	26	44	30
Cyprus	27	40	33	Ireland	26	41	33
Malta	61	22	17	France	27	45	29
				Luxembourg	30	40	30
				Greece	36	39	25
				Italy	40	45	15
				Spain	45	23	32
				Portugal	71	15	14

Source: Eurostat.

Employment structure by occupation

Table A2.3 shows employment in the Czech Republic, the EU-15, and the EU-10 according to ISCO-88 occupational categories. The Czech Republic has the highest share (more than 22%) of technicians and associate professionals (ISCO 3) in the labour market, while out of the other EU countries only Denmark, Germany, Austria, and Italy exceeded 20%. The Czech Republic also has the highest share of people employed in category ISCO 8, which is in conformity with the high number of people employed in industry. This category shows an apparent difference between the EU-15 and the EU-10. While in six (Czech Republic, Slovenia, Hungary, Slovakia, Latvia, and Estonia) of the EU-10 the share of people employed in category ISCO 8 accounts for more than 10%, none of the EU-15 exceeded that figure.

Compared to both EU-15 and EU-10 averages, the Czech Republic has a noticeably lower share in ISCO 6, which corresponds with the low level of employment in the primary sector in the Czech Republic. The table also shows the relatively low number of Czechs working in agriculture and, compared to the EU-15, a strong secondary sector.

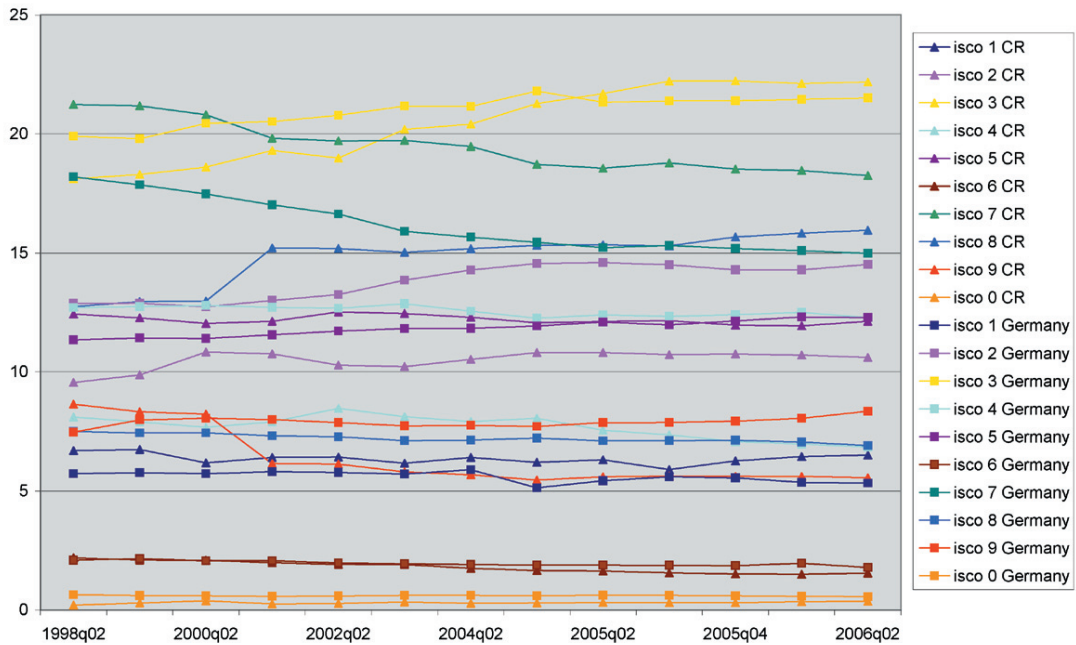
Table A2.3. Employment structure by occupation, in %, 2Q 2006

		EU-15	Newmember states (EU-10)	Czech Republic
isco 1	Legislators, senior official and managers	8.8	6.9	6.5
isco 2	Professionals	13.6	14.0	10.6
isco 3	Technicians and associate professionals	16.8	13.8	22.2
isco 4	Clerks	11.7	7.1	6.8
isco 5	Service workers and shop and market sales workers	13.8	12.4	12.1
isco 6	Skilled agricultural and fishery workers	2.8	8.6	1.6
isco 7	Craft and related trades workers	13.5	17.0	18.3
isco 8	Plant and machine operators and assembles	7.9	11.7	16.0
isco 9	Elementary occupations	10.0	7.9	5.6
isco 0	Armed forces	0.7	0.4	0.4

Source: Eurostat.

Compared to the EU-15, the EU-10 has considerably higher employment in categories ISCO 6 (mainly Poland), ISCO 7, and ISCO 8. Figure A2.8, which compares the employment structure in the Czech Republic and Germany between 1998 and 2006, proves that the share of people employed in categories ISCO 0, ISCO 1, ISCO 3, ISCO 5, and ISCO 6, and the development trends (moderate growth in ISCO 3 and stability in the other four categories) are similar in both countries. Nevertheless, there are apparent differences in employment in category ISCO 7: while this category represents around 20% of employed people in the Czech Republic, this share decreased to 15% in 2006 in Germany. However, employment in this category declined by 3 percentage points in the surveyed period in both countries. Also, the results in category ISCO 8 differ greatly: the high number of Czechs in this category (16% in second quarter of 2006 compared to only 7% in Germany) is due to the aforementioned high employment in industry, which has even seen stable growth since 1998. Conversely, the Czech Republic has a lower share of people employed as professionals – ISCO 2 (10.6% in the Czech Republic and 14.5% in Germany) and as clerks – ISCO 4.

Figure A2.8. Development of employment in occupational categories ISCO-88, Czech Republic and Germany (% of total employment)



Source: Eurostat.

Employment structure by sector

According to Table A2.4, which shows the employment structure in the EU-25⁵⁷, the EU-10 demonstrated on average higher employment than the EU-15 in the primary and secondary sector. Conversely, the employment in the tertiary sector proves to be around 15 percentage points lower than in the EU-15, where it exceeded 65% in all of the countries except for Greece. Although a rise in employment in this sector is apparent in all EU countries, it is more rapid in the EU-10 (increase by 5.4 percentage points between 1998 and 2005 against 3.5 percentage points in EU-15 in the same period), where this trend is led by Slovakia, Latvia and Slovenia and its intensity can be challenged out of the EU-15 only by Greece. The Czech Republic achieved growth by 4.9 percentage points between 1998 and 2005.

57 Data for Great Britain, Portugal, and Malta are not available.

Table A2.4. Employment in the primary, secondary, and tertiary sectors, 2005 (in %)

	Agriculture	Industry	Services
EU-15	3.7	23.7	72.6
Belgium	1.9	20.5	77.6
Denmark	3.1	21	76
Germany	2.2	25.9	71.9
Greece	14.4	22.9	62.7
Spain	5.2	29.5	65.3
France	3.5	20.5	75.9
Ireland	5.9	27.6	66.4
Italy	4	28.6	67.4
Luxembourg	1.3	21.1	77.6
Netherlands	3.2	17.4	79.4
Austria	11.8	23.1	65.1
Finland	5	25.9	69.1
Sweden	2.3	22.3	75.4
New member states	12	30.6	57.4
Czech Republic	3.8	38.3	57.9
Estonia	5.3	33.7	61
Cyprus	4.9	21.6	73.4
Latvia	11.2	26.5	62.3
Lithuania	14	29	57
Hungary	4.9	32.4	62.7
Poland	19.2	26.9	53.9
Slovenia	10.2	35.2	54.5
Slovakia	3.7	33.7	62.6

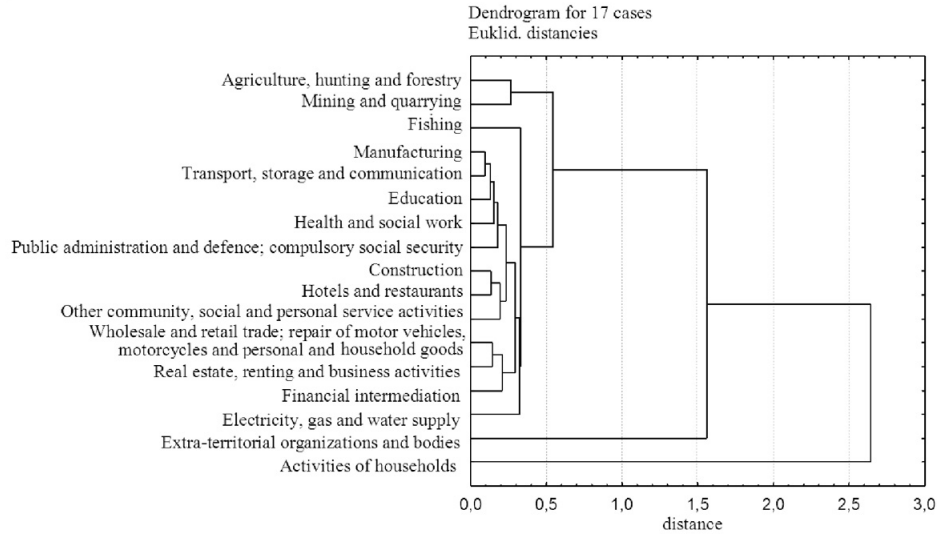
Source: Eurostat.

Note: data for Poland are from 2004.

The table shows that the Czech Republic is a country with the highest employment in the secondary sector (more than 38% in 2005) and relatively low employment in the primary sector (3.8%). Despite the general tendency of employment in the secondary sector, some countries recorded a rise over the period between 1998 and 2005, namely, Cyprus, Lithuania, Latvia, Estonia, and Spain. The increase of the number of people working in industry in these countries is closely related to the relatively sharp decrease of employment in the primary sector.

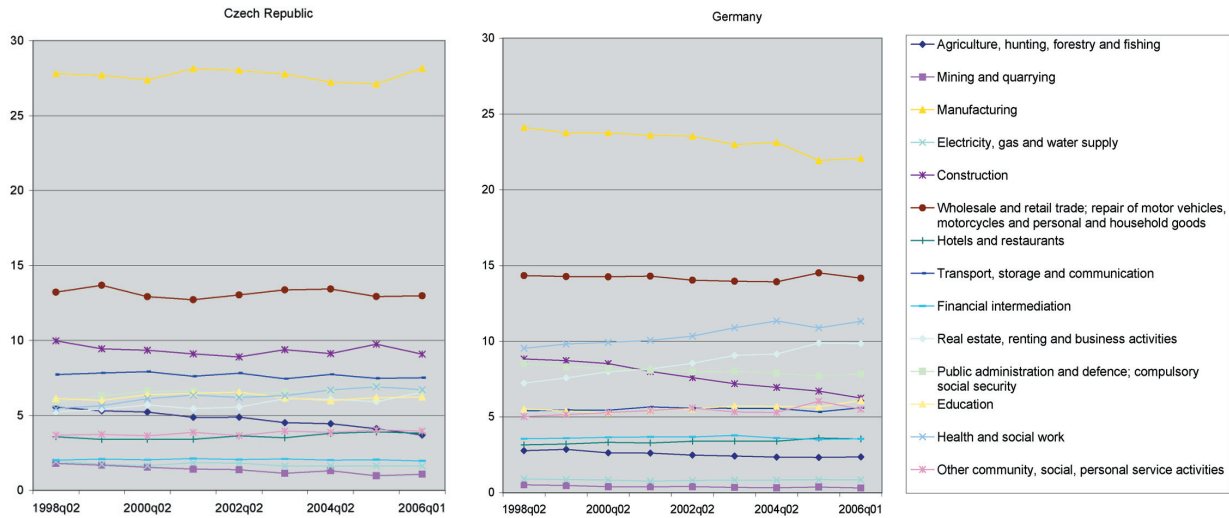
Figure A2.9 compares the development of employment in particular sectors between 1993 and 2005. In spite of a few exceptions, the development of employment in different sectors appears to be very similar. The sectors in the middle group grew on average by 0.1 percentage points per year; employment in the Agriculture, hunting and forestry sector and the Mining and quarrying sector dropped on average by 0.2 percentage points annually. Employment in the Activities of households sector rose on average by 8% annually, although its absolute share in total employment is negligible.

Figure A2.9. A comparison of employment development in different sectors, Czech Republic



Following the previous comparison of employment in different occupation categories, the Czech and German labour market structures will be compared from the perspective of sectors. The Czech labour market is characterised by higher employment in the Manufacturing sector. In Germany, employment in the Construction sector dropped substantially, especially when compared to the Czech Republic, where this sector stabilised at approximately 10%. An increase has occurred since 1998 in the Real estate, renting and business activities sector in Germany (2.6 percentage points, i.e. approximately 10% in 2006) and in the Czech Republic (6.5% in 2006).

Figure A2.10. Development of employment by NACE sectoral categories, Czech Republic and Germany (% of total employment)



Source: Eurostat.

Conclusion

The employment structure in the Czech Republic, as well as in other EU-10 countries, is gradually approaching the structure of developed economies in the EU-15. Its development is characterised by a rising employment rate in the 55-64 age group and a falling employment rate in the youngest age group. The development of employment, as far as the sectors of economic activity are concerned, is marked by a turn towards higher employment in the tertiary sector. Nevertheless, the number of people working in the secondary sector still remains high, which is also reflected in the occupational structure.

Summary

The evidence on the labour market and labour force in the Czech Republic is extensive but not integrated. Surveys describe relevant characteristics separately and do not provide a complex picture of human resources. In particular, 'hard' statistical data are not related to 'soft' attitudes. Such complex information is needed for monitoring the adjustment of the labour force to the knowledge-based and dynamic society which is crucial for competitiveness of the Czech economy. The project 'The Adjustment of the Czech Labour Force: Changing Job Structures, Wage Disparities and Work Orientations' aimed to use various sources – statistical and sociological surveys, case studies and others – to describe changes between mid-1990s and 2005. Studies on various topics are collected here to provide a multidimensional and dynamic picture of the changing Czech labour force and its 'state of mind', together with identification of some key problems.

In the first chapter, Czech labour market is observed in various perspectives. First we focus on the specific phases of the labour market as it developed in the 1990s. Second, we observe the changing composition of the labour force and labour mobility. Third, we examine the vulnerable categories of people. Policies, active labour market policies in particular, are described in the fourth section. Fifthly, we analyze the flexibility of the labour market in its various forms. In conclusion, several questions regarding the future of the Czech labour market are raised: predominant montage character of the Czech economy and labour force, weak work commitment, growing differentiation of the labour market and a weak legal and institutional environment of business and employment.

In the second chapter, we draw on income surveys covering the period 1988–2002 to illustrate the changes in inequality of earnings and household incomes, the main factors behind their disparities, and the connections between these two distributions. The first part suggests a systemic change occurred, leading from the application of the 'need principle' to the assertion of the 'market principle'. In the second part, the changing importance of individual factors of earnings in favour of education and occupation is demonstrated. In the third part, the intermediating structures between earnings and household are presented and income packaging is analyzed. Under transition, more income is collected from the labour market and more of it is redistributed by the state. Instead of demographical factors, education became the principal axis of the entire process.

In the third chapter, gender wage gap in the Czech Republic is concerned. If the individuals base their decision to participate in the labour market on their potential wage, the low-wage workers would probably chose to stay out of the labour force. Therefore, the gender wage gap can be biased due to this. This contribution estimates the wage functions for men and women and examines the structure of the wage gap. The applied decomposition denotes the several effects that form the gender wage

gap, e.g. the endowment effect which stems from different individual and job characteristics, the remuneration effect which is caused by different remuneration of these characteristics and also selection effect which reflects the potential wage gap that would occur if the non-participating started working. The new and richer data source (2005 EU-SILC survey) provides a number of individual characteristics of working as well as non-working individuals.

In the fourth chapter, transformation strategies of the Czech agriculture after 1989 are considered. Transformation started with both advantages and disadvantages for the sector. The former include the existence of large-scale farms, relatively highly skilled workers and a cheap labour force, which make Czech agriculture competitive on the European scale. On the other hand, attitudes to work and respect for the property of other people were poor, production efficiency and quality were low whereas the expectations of farmers were high. The research presented in the chapter covers different socioeconomic strategies of transformation chosen by Czech or foreign investors. Homeland entrepreneurs have usually opted for relatively strict, unsocial win-win strategies and understand their business simply in terms of material profit, or they were not successful at all. Conversely, western businessmen active in the country value long term profit, social ties and the symbolic functions of the peasantry more highly. The main current problem of local agriculture can be seen in the absence of family-type farms rooted in the local and social environments. This fact poses the threat of the development of a 'two-speed' European agriculture, the western model combining both small and 'industrial' farms, also benefiting from the generous subsidies, and the eastern model focusing solely on large-scale farming.

In the fifth chapter, the rise of grand entrepreneurship is focused. It is argued that the peaceful transition to capitalism in communist countries was not possible without the co-action of the nomenklatura, whose interest was to transform their informal access to state-owned capital into an authentic 'grand entrepreneurship'. The necessary acquisition of physical capital was achieved by means of mass privatisation schemes in which the nomenklatura took advantage of their social capital and information. In Czech case, there were three social groups competing for a position among the new entrepreneurial elite. The initially large gains of the nomenklatura gradually eroded when new businesses opened to domestic and international competition, where competitiveness depended on endowments of human (entrepreneurial) and economic capital. In the subsequent wave of ownership restructuring, the former nomenklatura was partially squeezed out of the tradable sector, which was occupied by better skilled foreign and domestic entrepreneurs. The exiting entrepreneurs converted their holdings into consumer goods, or defected to sectors less open to competition, where the alignment of social capital and bureaucracy persisted.

In the sixth chapter, changing work values and job attitudes in between 1997 and 2005 are investigated. The chapter is conceived as a contribution to a critical reading of opinion data and the presentation of ISSP modules on 'Work Orientations'. In the first part, some methodological problems regarding inspection of work and job values are presented using examples drawn from previous research abroad. In the second part, the framework of systemic transition is set and hypotheses are presented regarding work values and attitudes from the perspective of gender and age, education and occupation. In the third part, a comparison is made of people's expectations regarding their work and jobs with their perceived fulfilment. In the fourth part, we consider the perceived location of workers between distant worlds of family and firms and inspect factors of work and job satisfaction. In conclusion, we discuss the role of subjective perceptions in the economy and the question of a 'true' change in values during the transition.

In the appendices, we challenge the problem of the comparison of occupational structures over time and cross-nationally. In fact, the problem is pending despite effort of international organisations and research teams. Thus the analysis is limited on broad branch and occupational categories only and provides a rough picture of development and Czech specificities in the area. The comparative EU-SILC data, containing information on occupational, branch and wage structures (available only in late 2007) enable to analyze the labour force multi-dimensionally.

Shrnutí

Poznatky o trhu práce a struktuře pracovních sil v České republice jsou rozsáhlé, nikoli však dostatečně integrované. Výzkumy popisují důležité charakteristiky odděleně a neposkytují komplexní obraz lidských zdrojů. Zejména pak „tvrdá“ statistická data nejsou vztažena k „měkkým“ postojům. Taková komplexní informace je potřebná pro monitorování postupu přibližování pracovních sil ke znalostně založené a dynamické společnosti, jež má zásadní důležitost pro konkurenceschopnost české ekonomiky. Projekt „Adaptace pracovních sil v České republice: změny profesní struktury, mzdové diferenciaci a pracovních orientací“ směřoval k využití různých zdrojů – statistických a sociologických výzkumů, případových studií a dalších – k popisu změn mezi polovinou devadesátých let a posledními lety. V této publikaci jsou shromážděny kapitoly věnované různým aspektům této problematiky, s cílem poskytnout mnohorozměrný a dynamický obraz měnících se českých pracovních sil a jejich „stavu mysli“, spolu s identifikací některých klíčových problémů.

V první kapitole je český trh práce sledován z různých perspektiv. Nejprve sledujeme specifické fáze jeho rozvoje v devadesátých letech. Potom se zabýváme měnícím se složením pracovních sil a pracovní mobilitou. Dále se věnujeme kategoriím populace vystaveným zvýšenému riziku na trhu práce. Následuje přehled politik, zejména aktivní politiky zaměstnanosti a jejich účinnosti. Potom analyzujeme flexibilitu pracovních sil v jejích různých podobách. V závěru pak otevíráme některé otázky dalšího vývoje: převažujícího „montážního“ charakteru českého trhu práce a pracovních sil, slabého pracovního zaujetí, rostoucí diferenciaci trhu práce a slabého právního a institucionálního prostředí podnikání a zaměstnání.

Ve druhé kapitole využíváme příjmová šetření pokrývající období 1988–2002 k ilustraci změn v nerovnosti výdělků a rodinných příjmů, k analýze hlavních faktorů těchto rozdílů a k ukázání vazeb mezi uvedenými dvěma distribucemi. Nejprve nabízíme výkladové schéma systémových změn, založené na přechodu od „principu potřeb“ k „principu trhu“. Dále ukazujeme měnící se váhu jednotlivých faktorů rozdílů ve výdělcích, mezi nimiž nabývalo na významu vzdělání a profese. Potom sledujeme zprostředkující struktury mezi výdělkem a příjmy domácností, spolu s celkovým obrazem shromažďování rodinných zdrojů. V novém systému je více příjmů domácností získáváno z pracovní aktivity a více z něho je státem přerozdělováno. Systémová změna nastala v základní ose příjmové distribuce, kterou se stalo – namísto demografických faktorů – vzdělání.

Ve třetí kapitole se zabýváme rozdíly mezi výdělkem žen a mužů. Záležitost je poněkud složitější, protože pokud platí, že jednotlivci se rozhodují o zaměstnání podle očekávané mzdy, pak ti s nižším vzděláním budou mít tendenci zůstat spíše mimo trh práce. Tím bude ovšem genderová mzdová mezera negativně ovlivněna. V textu odhadujeme mzdové funkce samostatně pro muže a ženy a sle-

dujeme strukturu této mezery. Aplikovaná metoda dekompozice odhaluje několik efektů, které se podílejí na mzdové mezeře, tj. efekt schopností, které vycházejí z různých osobních a profesních charakteristik, efekt odměňování, který zapříčiňuje různé formy odměňování uvedených charakteristik, a rovněž efekt selekce, který reflektuje potenciální mzdovou mezeru, která se může objevit, když začne pracovat osoba, která doposud stála mimo trh práce. K analýzám je využit nový a bohatší datový zdroj (statistické šetření Životní podmínky 2005), který obsahuje informace za pracující i nepracující jedince.

Čtvrtá kapitola je věnována transformačním strategiím v českém zemědělství po roce 1989. Na počátku transformace měl tento sektor určité výhody v podobě existence rozsáhlých farem, relativně dobře vzdělaných pracovníků a levné pracovní síly, což umožňovalo konkurenceschopnost českého zemědělství v evropském měřítku. Na druhé straně byly nedostatky jako negativní postoje k práci, nedostatečný respekt k majetku jiných, nízká efektivita a kvalita, přičemž očekávání farmářů byla nepřiměřeně vysoká. Výzkum ukázal různé socioekonomické strategie transformace, jež volili čeští a zahraniční investoři. Domácí podnikatelé přitom obvykle volili relativně striktní, asociální formy jednání a své podnikání chápali úzce v termínech materiálního zisku, pokud byli úspěšní. Naproti tomu západní podnikatelé v České republice se orientují na dlouhodobý zisk, více využívají sociálních vazeb a symbolických funkcí selství. Hlavním aktuálním problémem českého zemědělství je neexistence rodinných farem zakořeněných v lokálním a sociálním prostředí, což může vést ke vzniku „dvourychlostního“ evropského zemědělství – zatímco západní model kombinuje malé i „průmyslové“ farmy a dokáže využívat štědrých dotací, východní model se zaměřuje pouze na velké zemědělské podniky.

Pátá kapitola se soustřeďuje na vývoj struktury pracovníků v podnikatelské sféře, jmenovitě na podnikatele zaměstnávající námezdní práci. Pokojná transformace totalitní společnosti do podmínek kapitalismu nebyla možná bez aktivního vstupu nomenklatury, jejímž zájmem bylo využít svou převahu na poli sociálního kapitálu k přístupu k vlastnictví podniků a jiného ekonomického kapitálu. Jako prostředek k tomu sloužily různé nástroje masové privatizace. V případě České republiky vystupovaly do popředí tři společenské skupiny, které mezi sebou soupeřily o vstup mezi podnikatelskou elitou. Původně velký náskok z počátečního stadia transformace se však časem snižoval, tak jak do hry vstupovala domácí a zahraniční konkurence. Schopnost přežít závisela pak už mnohem více na přístupu k financím a lidskému kapitálu, včetně podnikatelských schopností. V následující vlně restrukturalizace vlastnictví byla dřívější nomenklatura vytěšňována. To bylo nejvíce patrné v oborech s konkurencí dovozu a vývozu, kde převaha podnikatelských schopností a kapitálu se nedala nahradit domácí politikou. Odcházející podnikatelé buď transformovali svá aktiva do spotřebních statků, anebo se uchýlili do oborů, kde vnější konkurence tolik nehrozila a kde se stále mohla uplatnit koluze mezi sociálním kapitálem a byrokracií státní správy.

V šesté kapitole zkoumáme měnící se hodnoty práce a postoje k zaměstnání v porovnání let 1997 a 2005. Text byl koncipován jako kritické čtení postojových dat a prezentace modulů ISSP „Pracovní orientace“. Nejprve ukazujeme některé metodologické problémy týkající se zjišťování pracovních hodnot a postojů, a to na základě příkladů z předchozích výzkumů ve světě. Dále vymezujeme rámec systémové změny a formujeme hypotézy týkající se diferenciací uvedených hodnot z hlediska pohlaví a věku, vzdělání a profese. Poté srovnáváme očekávání lidí týkající se jejich práce a zaměstnání s jejich naplněním, opět na základě sdělených postojů. Následuje analýza toho, kam se lidé svými zájmy a postoji umísťují mezi vzdálené světy rodiny a firem a jaké jsou faktory jejich

spokojenosti s prací a zaměstnáním. Nakonec pak diskutujeme roli subjektivních percepcí v ekonomii a otázku „opravdové“ změny hodnot během transformace.

V příloze dokumentujeme problém změny zaměstnaneckých a profesních struktur v čase a mezinárodně. Uvedený problém fakticky trvá i přes úsilí mezinárodních organizací a výzkumných týmů. Naše analýza je omezena na velké kategorie podle odvětví a profese a poskytuje tedy jen hrubý obraz vývoje a specifik naší země v dané oblasti. Komparativní data EU-SILC, která obsahují informaci o profesních, odvětvových a mzdových strukturách (budou k dispozici ke konci roku 2007), dovolí analyzovat strukturu pracovních sil mnohorozměrně.

Zusammenfassung

Die Erkenntnisse über den Arbeitsmarkt und die Arbeitskräftestruktur in Tschechien sind umfangreich, jedoch nicht ausreichend integriert. Die Untersuchungen beschreiben wichtige Merkmale isoliert und bieten so kein komplexes Bild des Humankapitals. Insbesondere werden die „harten“ statistischen Daten nicht in Beziehung gesetzt zu den „weichen“ Einstellungen. Eine solche komplexe Information ist für die Beobachtung des Prozesses der Annäherung der Arbeitskräfte an eine für die Konkurrenzfähigkeit der tschechischen Wirtschaft wichtige wissensbasierte und dynamische Gesellschaft erforderlich. Das Projekt „Anpassung der Arbeitskräfte in der Tschechischen Republik: Veränderungen der Berufsstrukturen, Lohndifferenzierung und Arbeitsorientierung“ nutzt verschiedene Quellen – statistische und soziologische Untersuchungen, Fallstudien u.a. – zur Beschreibung der Veränderungen, die von der Mitte der 90. Jahre bis in die letzten Jahre stattfanden. In dieser Publikation sind Kapitel versammelt, die sich mit den verschiedenen Aspekten dieser Problematik befassen und so ein mehrdimensionales dynamisches Bild der sich ändernden tschechischen Arbeitnehmer und ihrer Einstellungen zeichnen sowie bestimmte Schlüsselprobleme aufzeigen.

Im ersten Kapitel wird der tschechische Arbeitsmarkt aus verschiedenen Perspektiven beleuchtet. Zunächst beobachten wir seine spezifischen Entwicklungsphasen in den 90. Jahren. Danach wird die sich ändernde Zusammensetzung der Arbeitskräfte und die Mobilität in Augenschein genommen. Des weiteren widmen wir uns den Bevölkerungskategorien, die einem erhöhten Risiko auf dem Arbeitsmarkt ausgesetzt sind. Es folgt eine politische Übersicht, insbesondere ein Blick auf die Beschäftigungspolitik und ihre Effektivität. Des weiteren analysieren wir die Flexibilität der Arbeitskräfte in ihren unterschiedlichen Gestalten. Abschließend eröffnen wir Fragen zur weiteren Entwicklung: den „Werkbankcharakter“ des tschechischen Arbeitsmarkts und der Arbeitskräfte, die geringe Begeisterung für die Arbeit, die steigende Differenzierung des Arbeitsmarktes und den schwachen rechtlichen und institutionellen Rahmen für Unternehmer und Beschäftigte.

Im zweiten Kapitel illustrieren wir anhand von Einkommenserhebungen zu den Jahren 1988–2002 die Veränderungen der Ungleichheiten von Verdiensten und Familieneinkommen, wir analysieren die Hauptfaktoren dieser Unterschiede und zeigen die Verbindungen zwischen den beiden Verteilungswegen auf. Zunächst bieten wir ein Interpretationsschema der Systemveränderungen an, das auf dem Übergang vom „Bedarfsprinzip“ zum „Marktprinzip“ basiert. Des weiteren zeigen wir die sich verändernde Gewichtung der einzelnen Faktoren der Verdienstunterschiede, wobei hier die Bedeutung der Bildung und des Berufs zugenommen hat. Anschließend verfolgen wir die vermittelnden Strukturen zwischen Verdiensten und Familieneinkommen gemeinsam mit dem Gesamtbild der Einkommensquellen von Familien. Im neuen System erzielten die Haushalte mehr Einkommen aus Arbeit, von dem jedoch auch mehr vom Staat umverteilt wird. Eine systemimmanente Veränderung

fand in der Grundachse der Einkommenverteilung statt, die nicht mehr in demografischen Faktoren, sondern in der Bildung besteht.

Im dritten Kapitel beschäftigten wir uns mit den Verdienstunterschieden von Frauen und Männern. Diese Angelegenheit ist jedoch etwas komplizierter: Wenn nämlich gilt, dass der Einzelne sich nach dem erwarteten Lohn für eine Anstellung entscheidet, so haben diejenigen mit geringerer Bildung eher die Tendenz, außerhalb des Arbeitsmarktes zu bleiben. Dadurch wird jedoch die genderbedingte Lohnspanne negativ beeinflusst. Im Text beurteilen wir die Lohnfunktion getrennt nach Männern und Frauen und verfolgen dabei die Struktur dieser Lohnspanne. Die Methode der Dekomposition enthüllt mehrere Effekte, die an der Lohnspanne beteiligt sind: den Effekt der aus den verschiedenen Persönlichkeits- und Berufscharakteristiken hervorgehenden Fähigkeiten, den Vergütungseffekt, der verschiedene Formen der Vergütung der angeführten Charakteristiken verursacht, sowie den Selektionseffekt, der die potentielle Lohnspanne reflektiert, zu der es kommen kann, wenn eine bis dahin außerhalb des Arbeitsmarkts befindliche Person eine Anstellung aufnimmt. Für die Analysen wird eine neue und sehr ergiebige Datenquelle (die statistische Erhebung „Lebensbedingungen 2005“) verwendet, die Informationen von Arbeitnehmern sowie von nicht in Arbeit stehenden Personen umfasst.

Das vierte Kapitel ist den Transformationsstrategien der tschechischen Landwirtschaft nach 1989 gewidmet. Zu Beginn der Transformation hatte dieser Sektor gewisse Vorteile in Gestalt umfangreicher landwirtschaftlicher Betriebe sowie relativ gut ausgebildeter und preisgünstiger Arbeitskräfte, so dass die tschechische Landwirtschaft im europäischen Maßstab konkurrenzfähig war. Auf der anderen Seite standen Mängel wie eine negative Arbeitshaltung, mangelnder Respekt vor dem Eigentum Dritter, geringe Effektivität und Qualität bei unangemessen hohen Erwartungen der Farmer. Die Untersuchung zeigt die verschiedenen sozio-ökonomischen Transformationsstrategien, die tschechische und ausländische Investoren eingeschlugen. Tschechische Unternehmer wählten in der Regel relativ strenge asoziale Verhaltensformen und verstanden ihr Unternehmen eng im Sinne des materiellen Gewinns, sofern sie erfolgreich waren. Die in Tschechien tätigen westlichen Unternehmer orientierten sich dagegen am langfristigen Gewinn, nutzten soziale Bindungen und die symbolische Funktion des Bauerntums. Das aktuelle Hauptproblem der tschechischen Landwirtschaft ist das Fehlen von Familienhöfen, die im lokalen und sozialen Umfeld verankert wären, was zur Entstehung einer „Zwei-Klassen-Landwirtschaft“ in Europa führen kann – während das westliche Modell kleine und „industrielle“ Höfe kombiniert und die europäischen Subventionen zu nutzen versteht, konzentriert sich das östliche Modell lediglich auf landwirtschaftliche Großbetriebe.

Das fünfte Kapitel konzentriert sich auf die Entwicklung der Beschäftigtenstruktur in der Industrie, insbesondere auf Unternehmer, die Geringqualifizierte beschäftigen. Eine friedfertige Transformation der totalitären Gesellschaft in eine kapitalistisch orientierte war nicht möglich ohne die aktive Beteiligung der Nomenklatura, die daran interessiert war, ihren Vorteil im Bereich des Sozialkapitals für den Zugang zum Eigentum an Unternehmen und anderem Kapital zu nutzen. Das Mittel hierzu waren verschiedene Instrumente der Massenprivatisierung. Im Falle Tschechiens traten drei gesellschaftliche Gruppierungen ins Vorfeld, die untereinander um den Zugang zur neuen unternehmerischen Elite rangen. Der einst große Vorsprung vom Beginn der Transformation wurde jedoch mit der Zeit und mit der wachsenden in- und ausländischen Konkurrenz geringer. Die Fähigkeit zum Überleben hing nun viel mehr vom Zugang zu Finanz- und Humankapital sowie von den unternehmerischen Fähigkeiten ab. In der anschließenden Restrukturierungswelle wurde die

Nomenklatura herausgedrängt. Dies wurde am deutlichsten in Branchen mit starker Konkurrenz im Im- und Exportbereich, in denen sich der Vorteil von Kapital und unternehmerischen Fähigkeiten nicht durch Innenpolitik ausgleichen ließ. Die scheidenden Unternehmer wandelten ihre Aktiva entweder in Konsumgüter um, oder wandten sich den Gewerkschaften zu, in den ihnen keine äußere Konkurrenz drohte und in denen sie die Kollusion zwischen Sozialkapital und Staatsbürokratie weiterhin nutzen konnten.

Im sechsten Kapitel untersuchen wir den sich ändernden Wert der Arbeit und die Einstellung zum Beschäftigungsverhältnis im Vergleich der Jahre 1997 und 2005. Der Text ist als kritische Lesung der Daten und Präsentation der ISSP-Module „Arbeitsorientierung“ konzipiert. Zunächst zeigen wir anhand von Beispielen aus vorherigen internationalen Untersuchungen einige methodologische Probleme der Ermittlung von Werten und Einstellungen in der Arbeitswelt auf. Des weiteren umreißen wir den Rahmen der Systemveränderungen und formulieren Hypothesen zur Differenzierung der angeführten Werte hinsichtlich des Geschlechts, des Alters, der Bildung und des Berufs. Anschließend vergleichen wir die Erwartungen der Menschen bezüglich ihrer Arbeit und Anstellung mit deren Erfüllung, auch hier auf Grundlage der mitgeteilten Meinungen und Einstellungen. Es folgt eine Analyse der Position der Menschen und ihrer Interessen und Einstellungen hinsichtlich der unterschiedlichen Welten von Familie und Firma und der Faktoren für die Zufriedenheit mit Arbeit und Anstellung. Zum Schluss diskutieren wir die Rolle der subjektiven Perzeption in der Wirtschaft und die Frage der „tatsächlichen“ Veränderung von Werten im Zuge der Transformation.

Im Anhang dokumentieren wir das Problem der zeitlichen und internationalen Veränderung von Beschäftigungs- und Berufsstrukturen. Das Problem besteht de facto trotz der Bemühungen internationaler Organisationen und Forschungsteams. Unsere Analyse beschränkt sich auf große nach Branche und Beruf geordnete Kategorien und bietet daher nur ein grobes Bild der Eigenheiten unseres Landes in diesem Bereich. Die komparativen EU-SILC-Daten, die Informationen über Berufs-, Branchen- und Lohnstrukturen enthalten (verfügbar Ende 2007) ermöglichen eine vielschichtige Analyse der Arbeitskräftestruktur.

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