

This time, Czech workers won: a union strike forces the South Korean management of Nexen Tire to compromise on wages

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In an environment of unprecedented inflation and falling real wages, Czech unions won one important victory.

Czech trade unionists scored one success this February in the overall Czech context. After a week-long strike, trade unionists from the [KOVO trade union](#) and the management of the South Korean company Nexen Tire, with mediation from the Czech ministry of social affairs and labour and the South Korean embassy in Prague, [agreed](#) on an 8% increase in wages for local workers and the payment of an extraordinary bonus worth CZK 20,000* to make up for no wage increase in 2022. However, the agreement is a compromise, and the end of the strike is conditional.

According to the trade unionists, if the company fails to meet the terms of the agreement, the union has reserved the right to resume the strike. As Roman Ďurčo, the chairman of the KOVO trade union, said, *"The wording of the current agreement is a compromise between the demands that we as the KOVO trade union have put forward and the justified counterarguments of the representatives of the Korean owner of Nexen Tire. In any case, it represents a huge shift."* Although the new collective agreement is expected to be signed at the end of March, its further contours are unclear.

Nexen Tire employs around 1,100 people in Žatec, North Bohemia.

The South Korean corporation is dedicated to producing tyres for passenger cars and light vehicles. It is thus part of the pro-export economic platform and global automotive industry chains on which countries like the Czech Republic have staked economic development and prosperity since the 1990s.

The company opened its Czech factory in August 2018 and is building a second production hall in the industrial zone near Žatec from October 2020, which will employ 300 more people.

The Czech factory represents the leading European production capacity of the company, whose global turnover exceeded \$1.6 billion in 2019. It's quite typical that Nexen Tire has located its production facilities in the Czech Republic, while it has its research and development centres in Europe in Germany and, of course, at home in South Korea.

The company's promotional video on its [Czech website](#) and [YouTube](#) is very telling in this regard. So there is no doubt that the South Koreans have invested in the Czech Republic not only because of its geographical location but also because of its skilled, cheap and poorly organised workforce, which is, unfortunately, the basic strategy of the Czech economy and all Czech governments without distinction.

The trade unions decided to go on an indefinite strike after unsuccessful negotiations with

the management of the company, which refused to increase the wages of local workers in the context of the search for a new collective agreement.

Specifically, the unions demanded an 8.3% wage increase, a 20% premium for night and weekend shifts, and a CZK 2 surcharge on the hourly rate of a shift worker. The unions claimed that the last wage increase for a large portion of the company's workforce occurred in 2018 (the year the company opened its Czech factory). According to media reports, the starting salary for a production operator at the company is CZK 22,700 gross, while the average salary at the company was not disclosed. The average salary in the Ústí region is CZK 37,000.

The company initially [refused](#) the demands of employees and trade unions for a wage increase, claiming that the demand was disproportionate to the company's economic situation. It also claimed that since 2019, the wages of 98 production employees had increased by 13.4% - these were supposed to be "mostly" those employees who "worked without absenteeism and are rated as excellent". Management also argued that the company's economy is in trouble due to rising costs. According to official data, Nexen Tire was at a loss of CZK 1.4 billion in 2020 and reported a profit of CZK 709 million after tax in 2021. Nexen Tire's management also claimed that it had been trying to negotiate with the unions since January 2022, proposing a 4.7% pay rise in addition to "various benefit programmes".

During 2022, the cost of living crisis intensified further in the Czech context. Real wages fell by almost 10%, and inflation averaged 15.1%. The Czech Ministry of Finance is currently counting on another 10% inflation for 2023, while the government has essentially abandoned a more consistent anti-inflationary policy.

The fact that in such a context, the 8.3% (sic!) wage increase and the better remuneration for night and weekend work became the subject of disputes between employees and the employer, which had to be resolved by a strike, is also quite telling about the status of labour and the perceptions of foreign investors in the Czech Republic, for whom wages for human labour are simply a cost.

One of the company's other [arguments](#) is the amount of investment in the Czech Republic of almost CZK 22 billion and the provision of jobs for 1,300 people in a region suffering from several social and economic problems. The opening of the Czech greenfield factory was therefore considered the "event of the decade", one of the three successes of the Czech investment agency CzechInvest in recent years. However, it is also a fact that the construction and operation of the factory enjoyed a great deal of support from the Czech state, i.e. Czech taxpayers. Out of a total of CZK 22 billion, investment incentives [amounted](#) to CZK 3.8 billion, the company also received a corporate tax rebate worth CZK 2 billion, and a CZK 300 million contribution for job creation (i.e. about CZK 200,000 per job and for training). Not to mention the main, long-term "benefit programme" for the South Korean company - cheap labour in the centre of Europe and in the country with the lowest minimum wage (CZK 17,300/month) in the entire V4 region.

In the Czech context and the specific context of this foreign direct investment, the current and relatively successful strike by trade unionists was an important event.

In the first place, it showed that a strike that cripples production and shows a company that it cannot do without people is still one of the important collective pressure tools of organised labour. Strikes may become more common considering growing tension between employees and employers (or better said, labour and capital) in the context of a crisis. Let's add that in the Czech Republic today, the union density, i.e. the proportion of unionists among the workforce, is around 12%.

Strangely enough, the strike at Nexen Tire was covered quite extensively by the Czech mainstream media. However, in the second place, it also again showed all the misery of the economic model the country has bet on, which is largely based on manual labour, low wages, low added value and production for export. It is not only in the Czech Republic where the unsustainability of this model is now becoming apparent, without being clear to the Czech establishment what will actually replace it in the future.

* One euro is CZK 23.78.

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