

Research Report  
2006

Ahold  
Czech Republic

Organisační Poradci a Vyzkum  
Development and Research  
Organisation

Jan Haverkamp  
Lenka Simerska

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Jan Haverkamp & Lenka Simerska  
organisační poradci a výzkum  
organisation development and research  
Nad Borislavkou 58  
CZ - 160 00 Praha 6  
Czech Republic  
tel./fax: +420.235 361 734  
mobile Jan Haverkamp: +420.603 569 243  
mobile Lenka Simerska: +420.777 599 729  
e-mail: [jan.haverkamp@ecn.cz](mailto:jan.haverkamp@ecn.cz)  
e-mail: [lenka.simerska@ecn.cz](mailto:lenka.simerska@ecn.cz)



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## Summary

This report investigates the Corporate Responsibility (CSR) policies of Ahold in the Czech Republic. It focuses on the relation of Ahold's CSR policies towards the local labour legislation, but also investigates wider implications as its relationship with trade unions, the function of trade unions within Ahold's CSR and the policy in international perspective.

The report concludes that where Ahold is putting a lot of effort in a good CSR policy, there still are areas of concern. These include general issues like the recent changes in its official CSR policy after financial scandals battered the company in the United States, the position of Ahold on the Czech market and the repercussions for its CSR policy, the effects on Ahold's CSR policy of the creation of a regional “arena” Ahold Central Europe that puts together the operations of Ahold Poland, Ahold Slovakia and Ahold Czech Republic. It furthermore concludes that a more active policy is needed on issues like gender, certain payment issues, organisation of overtime hours and shifts and the functioning of the recently introduced *Fair Play* whistle-blower system. The report looks a bit more deeply into Ahold Czech Republic's relation with the trade unions, and concludes that this relationship suffers under the low degree of trade union organisation within Ahold. The report indicates that this deserves strong attention from the side of Ahold, but even more from the side of the trade unions themselves.

The report started also to look into the relationship between Ahold's CSR policy and the delivery chain, and concludes that more research is necessary in this respect.

Finally, Ahold's reaction to the report is included. The company informs about recent positive developments, such a procedure for wage adjustments the updating of web pages with the new Code of Conduct.

## **Acknowledgements**

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Lenka Simerska, Jan Haverkamp  
Prague, 20 December 2005

## Methodology

This report is based on research conducted by two people in the time period between December 2004 and October 2005 according to the framework for the Company Monitor discussed during the seminar in September 2004 in Amsterdam.

The research included a review of Ahold's printed and on-line materials, a review of press, interviewing representatives of workers, local members of trade unions, trade unions leaders, the central organisation of the retail sector-focused union OSPO (Odborový svaz pracovníků obchodu which translates as *Trade Union of Workers in Commerce*) and Ahold's management. Further interviews were conducted with non-governmental organisations that are focusing on raising awareness on labour rights.

With the exception of Mr. Alexander Leiner, the head of OSPO, members of trade unions and workers representatives requested anonymity. In case of interviews with the company management, unless specifically indicated otherwise, information was provided by HR and PR officials, namely Mr. Eric van 't Hof and Mrs. Ivana Dufkova. They spoke on behalf of Ahold CE management. The possibility for talking to other management people was left open in case Mr. van 't Hof or Mrs. Dufkova would not be able to provide the requested information. As they were able to do so, we did not push for further interviews.

Given the fact that the company's headquarters for Central and Eastern Europe are located in Prague, Czech Republic, the researchers also were in contact with the Polish Company Monitor researchers working on Ahold. We have facilitated information exchange between the Ahold Central Europe headquarters and the Polish researcher. The plan was furthermore to synchronise the submission of the second draft report to the company's management together with the Polish one. This plan did not work out due to complications in the co-operation with Ahold PL, which caused a different research schedule on the Polish part.

### Co-operation with the company

The first contacts with Ahold were rather unproblematic. An interview was scheduled with Mrs. Dufkova – Manager Compensation & Benefits for Ahold Czech Republic and later for Ahold Central Europe – and Mr. van 't Hof – Vice-president HR for Ahold Central Europe. During the first interview, Mr. van 't Hof was ill, so a second interview was agreed. It was quite difficult to get this arranged because of the move of Ahold from their old offices in Pruhonice to Nove Butovice. On-line answering of questions in the mean time also did not take place as agreed, with the office move and planned repatriation of Mr. van 't Hof to the Netherlands given as main reasons. The second interview took place in May with Mr. van 't Hof and Mrs. Dufkova. Mr. van 't Hof did not answer still open questions over email, as was agreed during the second interview, but Mrs. Dufkova provided part of this information on behalf of the Management after we sent a reminder.

Mrs. Dufkova co-operated intensely to provide as much as possible information during the interviews and prepared herself for the second interview with data on 2004.

She and Mr. van 't Hof reacted surprised on the problems our Polish colleagues encountered in contacting Ahold Poland and they provided a contact to improve that situation as well as took personal action to get the relevant manager in direct contact with the Polish Company Monitor researcher.<sup>1</sup>

The interviews took place in an open atmosphere. It was agreed that Mrs. Dufkova and Mr. van 't Hof would get the opportunity to comment on the draft version of this report.

The Company Monitor was seen as part of the company's open information policy.

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<sup>1</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

## General characteristics of the company

### Business description

The following chapter is based on several resources including the company's annual reports, company's website, newspaper articles, the Company Monitor report on Ahold Czech Republic 2003, and interviews with the company's management.

Ahold started operating in the Czech Republic in 1991 as one of the early foreign investors. The early supermarkets Sesam, Mana, and Prima were transformed into formats called Albert and Hypernova.

Ahold is, after MAKRO, the biggest retail company in the Czech Republic<sup>2</sup>. As of today Ahold Czech Republic operates 184 supermarkets of the brand name Albert (30 in the capital city of Prague) and 50 hypermarkets of the brand name Hypernova. Hypernova hypermarkets range from 3 000 to 10 000 square meters per store and offer up to 60 thousand types of products. Both Albert and Hypernova are present in all regions of the Czech Republic (the net is a bit less developed in the southern and south-western part of the country). Besides its stores and administration and management office, Ahold also runs 2 distribution centres, one in Klecany near Prague and one in Olomouc in Moravia. It closed a third one in Příbram in 2004.

Ahold Czech Republic employs about 13 000 people and belongs to the biggest employers in the Czech labour market. Currently it holds the 8th (the position varies between 6th and 10th)<sup>3</sup> position in the number of people employed.

2004 has been historically the best year in terms of economic results during the whole era of the company's presence on the Czech market. The division of Albert improved in profit 15%, and Hypernova division was even more successful and reached 50% of profit rise. 2004 was the first year when Ahold reached CZK1billion (= €30million) gross profit.<sup>4</sup> Ahold CE had in 2004 a gross profit of €1.683billion (excluding VAT).<sup>5</sup>

Since merging operations in the Czech Republic, Slovakia, and Poland into the Ahold Central Europe Arena in 2003, the company presents only the figures for this whole arena. The latest separate figure found in the company's materials is for 2002 when the turnover was EUR 924 million (VAT is excluded). It is therefore impossible to provide a comparison of figures between the last Company Monitor investigation in 2003 and now. In terms of growth indicators, the Ahold Annual Report 2004 states that the net sales increased by 6% between 2003 and 2004 in the Central Europe Arena. On the basis of public figures, it is now impossible to compare the performance of the individual parts of Ahold Central Europe.

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<sup>2</sup> As the MAKRO chain is officially not a retail but a wholesale market, only open to people with a company registration, Ahold claims to be the number 1 retailer in the Czech Republic.

<sup>3</sup> Although the position of Ahold among the top 10 employers is moving, it's more or less stabilized between 6 and 8 biggest employers on the scale in the last 3 years. For example Novinky.cz online news (<http://www.dnes.seznam.cz/04/35/21.html>, Nov. 9, 2005) place Ahold on the 8<sup>th</sup> position.

<sup>4</sup> *Ahold Express, časopis pro zaměstnance a obchodní přátele Aholdu Central Europe*, vol 5, no.1(Ahold Express – magazine for employees and business friends of Ahold Central Europe)

<sup>5</sup> [www.ahold.cz](http://www.ahold.cz)

### AHOLD Czech Republic

	1995	1996	1997	1998	1999	2000	2001	2002
Overall turnover in millions of CZK (VAT excluded)	3,918	6,653	8,410	12,500	18,200	23,460	29,600	920*
Number of stores	98	111	122	145	169	186	203	212
Number of employees	2,678	3,857	4,310	6,465	7,500	10,000	13,000	12,500

\* in millions of Euros (VAT excluded)

Source: [http://www.ahold.cz/o\\_spol\\_ukazatele.html](http://www.ahold.cz/o_spol_ukazatele.html)

### AHOLD Central Europe

	2003	2004
Overall turnover in billions of EUR (VAT excluded)	1.58	1.683
Number of employees	26,000	24,000
Number of stores	428	445
Average number of customers served	268 millions	289 millions

Source: [http://www.ahold.cz/o\\_spol\\_ukazatele.html](http://www.ahold.cz/o_spol_ukazatele.html)

### Central Europe Arena Results

(in millions, except 2004 percentages, store count and sales area)			2003		2002
	(12 months)	Change (%)	(12 months)	Change (%)	(12 months)
Net sales in EUR	1,683	6.0	1,587	1.5	1,563
Change in identical sales		1.2		(4.7)	
Company-operated stores	442		427		409
New stores	25		25		42
Re-modelled stores	37		20		26
Stores Closed	10		7		5
Sales area in thousands of square meters	686	7.2	640	1.7	629
Net sales as a percentage of consolidated net sales	3.2%		2.8%		2.5%

Source: AHOLD Annual Report 2004, page 65

The Annual Report of Ahold 2004 states that “the increases in net sales in 2004 and 2003 in the Central Europe Arena were primarily attributable to new store openings. This increase occurred despite the effect of deflation in many product categories and the effect of the increased number of competitive discount outlets in both 2004 and 2003. New sales growth in 2004 and 2003 from store openings was partially offset by lower currency exchange rates and deflation. The increase in identical sales in 2004 was attributable to a more aggressive marketing strategy, improved product

*assortment and the expansion in the number of private label products<sup>6</sup> identical sales for the arena's hypermarkets were slightly adversely impacted by the requirements of the management to focus the planned divestment of the arena's large hypermarkets in Poland, which was announced in October 2004. The arena's market share was stable in 2004."*

*In 2003, Ahold underwent a major reorganisation by introducing Ahold Central Europe. Ahold Central Europe came into existence at the beginning of 2004 and unified Ahold's operations of the three so far independent companies Ahold Czech Republic (Ahold CZ), Ahold Polska (Ahold PL), and Ahold Retail Slovakia (Ahold SK). The so-called arena of Ahold Central Europe is directed from Prague, Czech Republic. In order to improve economic results, Ahold Central Europe unites its functions in the three countries such as sourcing, marketing and formats, human resources, administration, management, information technologies, and systems.*

As a result of this reorganisation, the accounting in Brno, Czech Republic was cancelled in August 2005 and moved to Krakow, Poland.<sup>7</sup>

Another relocation happened early 2005 in the case of one of the distribution centres in Příbram. (See also section 5.) Because of its smaller size, it was no longer meeting the needs of the company and got cancelled. Its function was taken over by the two modern distribution centres in Klecany and Olomouc.

On 30 September 2005, Ahold acquired the Julius Meinl chain in the Czech Republic.<sup>8</sup> This take-over included 56 supermarkets that are converted into Albert supermarkets. 11 Meinl supermarkets were not taken over. Ahold took over 1500 employees from Meinl, which directly fell under the collective labour agreement with the trade union OSPO.

The acquisition of Julius Meinl chain in the Czech Republic was the first one after the start of the "Road to Recovery" programme. This program started after Ahold faced in 2003 a major accounting crisis in the US. It is focused on four key areas: reorganising Ahold's food retail business; recovering the value of U.S. Foodservice; reinforcing accountability, controls and corporate governance; restoring financial health. For more details see Ahold Company Profile, SOMO, Amsterdam, February 2005.

As for operating loss, Ahold evaluated that the centralisation efforts started in 2003 and leading to the establishment of the Central Europe Arena had a positive effect. Several functions, such as information technology support, format development,

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<sup>6</sup> These brands are owned by Ahold and include: Albert, Hypernova, Euro Shopper, A-selection, Novaline, FineLine Cookery, Actuals, Track & Field, Deco Design (a total of 1.300 products). Source: [www.ahold.cz](http://www.ahold.cz).

<sup>7</sup> Information provided by OSPO.

<sup>8</sup> Information about this acquisition is taken from the following sources:

- Announcement on the website Julius Meinl in the Czech Republic: <http://www.julius-meinl.cz/aktuality.php?id=70>
- Daily Idnes / MF Dnes: [http://ekonomika.idnes.cz/ekoakcie.asp?r=ekoakcie&c=A051003\\_095906\\_ekoakcie\\_ven](http://ekonomika.idnes.cz/ekoakcie.asp?r=ekoakcie&c=A051003_095906_ekoakcie_ven)
- Announcement by Ahold: <http://www.ahold.com/index.asp?id=1074>
- Press release Ahold Central Europe, 3 October 2005: [http://www.ahold.cz/jnp/cz/ahold/pro\\_novinare/tiskove\\_zpravy/-content-ahold-cz-tiskove\\_zpravy-julius\\_meinl\\_plan.html](http://www.ahold.cz/jnp/cz/ahold/pro_novinare/tiskove_zpravy/-content-ahold-cz-tiskove_zpravy-julius_meinl_plan.html)

category management and real estate, were centralised, which had the effect of reducing operating expenses and improving margins.

In terms of expectations, the Annual Report continues saying that the Central Europe Arena expects the current intense competition to continue in 2005. According to van 't Hof, competition focuses more and more on pricing and direct competitors (both for customers as for location of new outlets). Discount markets concentrate on low price, where mainstream retailers like Ahold focus more on the price-quality relation.<sup>9</sup> The Arena's net sales growth in 2005 will be negatively impacted by the sale of the Polish large hypermarkets in 2005, although this impact will be partially offset by new store openings. In 2005, the Central European Arena will continue to increase the number of supermarkets and compact hypermarkets and seek to improve competitiveness through its pricing policy and by rationalising the product assortment.

### Export and import

No materials of the company mention any export from the Czech Republic facilitated by Ahold. Since the operation of the Ahold Central Europe arena, the flow of goods between Poland, Czech Republic and Slovakia intensified, however, and there is a central purchasing policy.<sup>10</sup>

Ahold claims to use domestic suppliers for 80 to 85% of all products that are sold in stores.<sup>11</sup>

### Employment

Ahold belongs to the group of 10 biggest employers in the Czech Republic<sup>12</sup>, the total number of employees reaches 13 000.<sup>13</sup> Employment figures per divisions are not publicly available.

Although it is not publicly known what the exact gender balance in the management of Ahold is, the trade unions, workers, and visits to supermarkets give the impression that the major workforce are women who mostly work in the stores and administration. However, as reported by some union's representatives, observations give the impression, that a majority of the area managers and store managers are men, as well as the top management. The management provided the following gender figures and explanations<sup>14</sup>: Among store managers there are 51% of women. In case of area managers the ratio is different (approx. 28% women) because this position is expected to travel to several stores a day. Women mostly prefer different type of work.

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<sup>9</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

<sup>10</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

<sup>11</sup> Simerska, Lenka. *Company Monitor: Ahold Czech Republic*, (2003) FNV Mondiaal.

<sup>12</sup> Although the position of Ahold among the top 10 employers is moving, it's more or less stabilized between 6 and 8 biggest employers on the scale in the last 3 years. For example Novinky.cz online news (<http://www.dnes.seznam.cz/04/35/21.html>, Nov. 9, 2005) place Ahold on the 8<sup>th</sup> position.

<sup>13</sup> <http://www.ahold.cz/jnp/cz/ahold/home/cz-home-sectionContent.html> visited 1.12.2005

<sup>14</sup> Comments provided by email by Mr. Erik van't Hof on Nov. 8, 2005

As for the top management, there is only one woman among 7 members of the Ahold Central Europe management group<sup>15</sup> and none among 3 members of the Ahold Czech Republic.<sup>16</sup>

In the past 2 years, Ahold has been trying to cut its dependency on temporary workers, especially those employed through work agencies.

The number of employees at Ahold stopped growing in 2001. (See table above.) Since then it stabilised around 13 000 employees.<sup>17</sup> The latest acquisition of 56 Julius Meinl supermarkets is said to have added 1 500 employees.

Employees' retention has been a large problem within Ahold and is in most of the other retailers in the Czech Republic. Some sources indicate up to 90% (or higher in some business areas) of employee wastage annually (that includes all employees who leave the company under all possible conditions). In our first phase report, we already noted that Ahold was working on a retention programme<sup>18</sup>. The details and results of the related research project remain the company's confidentiality; however in 2003 the top management was open in giving some details and examples in personal interviews as stated in our report from 2003: *“The used methodology was a representative questionnaire survey among the employees at all levels across sectors. The questionnaire contained more than 70 questions while at the same time very high rate of return occurred – more than 80%. The Coca Cola case study book was mentioned in a description of the general approach towards the survey. An interesting finding was that financial compensation was not the most important aspect for dissatisfaction, neither the main motive for the intention of leaving the company. There were a couple other top issues found why people would leave Ahold for another employer: Appraisal of work; Clear and on-time communication of the leadership towards the employee in day-to-day work issues; Sufficient training or introduction to the work and the work place at the beginning when accepted for a certain position; Locally significant issues such as transport to the work place; Based on the statistical study, solutions to suppress employees' dissatisfaction were proposed and realised.”*

This year Ahold management stated that the retention programme consisted of better and clearer information to new employees when they start at Ahold and motivation to employees to increase their experience and knowledge in the form of training courses. The programme also played a role in the development of employment community activities, involving employees in social activities like the company football competition and others. It also included a training programme for middle management as well as the creation of centres of excellence where middle management gets trained in soft and hard skills. On top of this, in line with the global changes in the *Road to Recovery (the new financing plan and strategy after the financial scandal at Ahold in the US)*, the middle management structure in the Albert supermarkets was changed by skipping one layer of managers, resulting in a two layer system of store managers and sector managers. As Ahold management claims, now, two years later, management has seen the turnover of employees going down substantially. The majority of the turnover happened by ending the contract within the first year. Ahold management

<sup>15</sup> Vice President Human Resources, Ahold Central Europe, Ms. Bruna Jakub

<sup>16</sup> Information provided at

[http://www.ahold.cz/jnp/cz/ahold/spolecnost\\_ahold/management/index.html](http://www.ahold.cz/jnp/cz/ahold/spolecnost_ahold/management/index.html) on 1.12.2005.

<sup>17</sup> Source: [http://www.ahold.cz/jnp/cz/ahold/spolecnost\\_ahold/zakladni\\_fakta/index.html](http://www.ahold.cz/jnp/cz/ahold/spolecnost_ahold/zakladni_fakta/index.html).

Number of employees in Ahold CZ for 2004 is 13 000.

<sup>18</sup> Simerska, Lenka, Company Monitor: Ahold Czech Republic, (2003) FNV Mondiaal.

has the impression that this has brought improvements in the relations between the management in the stores and employees.

### Company management

The global Corporate Management mainly plays a role in co-ordinating strategies and checking whether these are implemented, as well as implementing global policies to ensure one unified company integration and compliance.

Since the financial problems in the USA in 2003, there is more influence from Corporate Management on the different arenas (regional structures) and national management. This is above all on the financial and accountancy level. The company introduced the US Sarbanes-Oxley code of 2002<sup>19</sup>, which on order of the *US Securities and Exchange Commission* (SEC) had to be applied worldwide.

As a part of this, the *Code of Conduct* was changed. Ahold Central Europe was during the interviews still in the process of introducing the new code (see later).

One of the changes was the perception of employees as “associates” – a concept that delivers problems with translation into the Czech language. Because there is no word to cover the concept, one can see the word “*zaměstnanec*” (employee) still used in literature of Ahold CZ. Management tries to introduce the word “*kolega*” (colleague) as alternative, but is aware that that does not cover the full scope of thought behind the proposal from Corporate Management.

Part of the introduction of the new *Code of Conduct* was also the introduction of a whistle-blower procedure (called “*Fair Play line*” within Ahold Central Europe<sup>20</sup>) in the end of 2004, which enables employees (associates) to file complaints. This telephone link and website are run by Global Compliance Service, a US company, and has a call centre in the USA. The reason for having a US based company (as opposed to a local call centre) was that it was implemented following the US authorities' requirements for a whistle-blower procedure in the *Road to Recovery* plan in the USA after the Ahold's accounting scandal. The requirement was made for a globally unified form, which led to the choice of a central US location for the call centre. Complaints are registered and forwarded to the respective arena (in our case the Ahold Central Europe office Prague) and from there to a regional compliance officer for further processing. Local Officers do not exist. This whole procedure needs to lead to results within 14 days. The period of 14 days is guaranteed to the complainer. Complainers can choose to file an anonymous complaint or being identifiable as source. In the latter case the complainer can follow the status of her / his complaint on-line or over the *Fair Play* telephone. Claims are dealt with by Ahold staff without role for independent players like the trade unions.<sup>21</sup>

Another aspect of the implementation of the new *Code of Conduct* is the e-learning and e-examination programme on the *Code of Conduct* that is organised by the

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<sup>19</sup> The Sarbanes Oxley law can be found on:

[http://www.sarbanes-oxley.com/section.php?level=1&pub\\_id=Sarbanes-Oxley](http://www.sarbanes-oxley.com/section.php?level=1&pub_id=Sarbanes-Oxley)

<sup>20</sup> The leaflet for this *Fair Play* line can be found on:

[http://www.ahold.cz/public/c0/bd/28/f4/46519\\_55675\\_brozura\\_cz.pdf](http://www.ahold.cz/public/c0/bd/28/f4/46519_55675_brozura_cz.pdf); the *Fair Play* system

has its own website on: <https://www.aholdfairplay.cz/>

<sup>21</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

corporate *Training & Development department*. *This training is provided for job grade 13 and above in Europe and job grade 14 and above in the US.*<sup>22</sup>

There is quite some influence from Corporate Management on corporate culture locally. As illustration was mentioned the relation of Ahold CZ with OSPO – even though OSPO only represents a small amount of Ahold workers, *Collective Labour Agreements* (CLA) lead to results for all employees and OSPO is seen as a full partner in the negotiations. The CLAs as such are local responsibility, but there is quality checking from Corporate Management. More details are provided in section TK about trade unions relations.

Also quality standards of products food and non-food are following corporate lines. This leads to quality control standards within Ahold Central Europe, but Ahold Central Europe is also depending on corporate policies for the quality control of non-food articles from the Far East (see the paragraph on supply chain).

The Corporate change of structure from national units into arenas has brought Ahold Czech Republic with Ahold Slovakia and Ahold Poland in one Central European Arena. This process is currently in its finishing stages. It has not lead to important very large changes and improvements such as the implementation of a Shared Services concept for accounting and payroll– Ahold Central Europe Support Office will remain a small co-ordinating unit and the national units will continue to consist next to it. Business results are since the establishment of the Ahold CE Arena given for the entire Arena only and not for national units any longer.

During the interviews, management could not indicate whether the decisions on divestment of Hypernova hypermarkets in Poland were taken on corporate level or Ahold Central Europe level. From the interviews we have the impression that Ahold Central Europe's function mainly was an implementing one in this case.

### *Decision making at different levels in the company*

Information on decision making was provided by Ahold management as follows.

Detail decisions on all levels are taken in the Arenas, *but* within corporate strategy lines. This is true for labour relations, as well as for business strategies and location of production.

Concerning labour relations, Ahold management claims to follow the corporate strategy of trying to operate a high standard, rather than operating on sharp prices at the cost of labour and quality standards. However, Ahold Central Europe management indicated that this means that Ahold stands under pressure in a market where consumers tend to look mainly at price and certainly not at labour issues. Competition with especially German price breaking chains as *Kaufland* and *Lidl* is tough and Ahold complained several times about the fact that these two chains are undercutting labour standards heavily. Corporate standards, which are higher than the local ones, and corporate culture appear to be important factors here to help upkeep local standards.

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<sup>22</sup> Ahold, *Ahold Global Code of Professional Conduct and Ethics: What You Should Know About The Code*, Zaandam (2005); <http://www.ahold.com/index.asp?id=927>, page 5

Business strategies are largely set at corporate level, but worked out in detail within the respective arenas. We were not able to get a clear picture what that for instance meant for the divestment decision of hypermarkets in Poland. There is a corporate strategy of concentrating on those markets where Ahold is in the top or where Ahold can reach a top position. This seems to be behind the decision to divest hypermarkets in Poland towards *Carrefour* and concentrate on Albert supermarkets, whereas in Slovakia first the focus was on Hypernova hypermarkets, but now next to that a chain of Albert supermarkets is developed. In the Czech Republic, Ahold is strong in both areas.

Ahold has a policy of developing as much as possible local production. The change into the arena structure did mean, however, that where “local” used to stand for Czech, it is now increasingly seen as “Central Europe” (Slovakia, Poland, Czech Republic). EU entry of these three countries has also eased that perception, as border barriers between these countries have fallen. As a matter of fact, Ahold indicated that EU entry has had more impact on movement of goods between the three Central Europe countries than on an extension of imports from Western Europe.

### *General strategy and plans for future development*

Ahold is concentrating in Poland on Albert supermarkets and divested its Hypernova hypermarkets to *Carrefour* because it could not obtain a leading position. In Slovakia it is developing a chain of supermarkets next to the existing chain of hypermarkets. In the Czech Republic it is more or less consolidating its position as number 1 retailer in the Czech Republic. This means that there are plans for a few more Hypernova hypermarkets and Albert supermarkets, but growth in amounts of outlets is slowing down. Acquisition is also part of this strategy, for instance the 2005 take-over of Julius Meinl.

Ahold concentrated its distribution in the Czech Republic from three to two distribution centres.

Ahold plans to increase the amount of Ahold owned home brand products largely from local (Central European) producers.

One of the largest challenges that Ahold is facing in the Czech Republic is the increase of price fighting chains like the *Lidl*, *Kaufland* and *PennyMarket* chains. Management indicated that in cases where one of these chains introduced a supermarket near an Albert, Albert lost clients temporarily because of the lower prices. It also claimed that price-breakers often are able to get good locations on the expense of quality chains like Ahold because local authorities want to score politically. There is no public debate on the reasons behind those low prices, instigated by neither the media, nor the trade unions, nor the retail firms themselves. Ahold claims that the low prices are for the largest part because of lower labour and CSR standards that are in place in those companies<sup>23</sup>. Ahold would like to see a more active policy from the side of trade unions to make this picture clearer to the public.

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<sup>23</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

## Company's strategies on flexibility of employment relations

Ahold tries to reduce its dependency on labour agencies for personnel in order to retain as much as possible its investments in training and personnel development. It is using agencies mainly in larger cities and mainly for difficult to fill times as Friday evenings, Saturdays, Sundays and holiday periods, and periods with large illness leave (flue periods, for instance).

Ahold management claims to keep within the legally set period of minimally 14 days for shift planning and tries to improve flexibility with the introduction of store management software, which can be used for shift planning.

On the basis of its positive experiences, Ahold continues to that end also with the started retention programmes, which focus on improved management-floor relations, secondary benefits, social programmes and training opportunities.

Improved secondary benefits recently introduced include an increased value of lunch vouchers (which is a traditional secondary benefit in the Czech Republic) from CZK40 (€1.3) to CZK50 (€1.6) per voucher and paid leave benefits – one extra day for people working one year at Ahold, two for two years, three for three to a maximum of five days per year. This is a common practice for large employers in the Czech Republic.

Ahold is working on a pension scheme and a health insurance scheme, but both are kept up by the fact that legislative pension and health reforms are already for a long time pending within the Czech Government and Ahold is reluctant to invest in schemes that have to be changed within a year. Management sees the delays in the development of these programmes as a frustrating point especially because of the effect it would have on its retention policy.

## Relevant aspects of broader Corporate Social Responsibility (CSR) policy

Labour relations have for Ahold Central Europe management a central position in CSR. It wants to guarantee stability of the company and employment, as well as fair and proper income and benefits for its employees.

Ahold Central Europe considers charity part of its CSR. It is involved in children's work with the sixth year of the *Bertik* project<sup>24</sup>, as well as offering space for initiatives from employees (for instance around the 2004 tsunami catastrophe, or a donation collection box for animal protection). Besides that it started an education project in its hypermarkets circling around healthy nutrition (the Healthy 5 project), in which school classes get on the spot education in a playful manner. Part of this project is promotion of organic products.

It sees charity explicitly as part of Public Relations work.

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<sup>24</sup> The Bertik project supports children's homes and institutions for children. It started in 1999 and during its first 5 years it distributed CZK22million to different projects.

## Dialogue between the company and stakeholders

The only platform on which CSR issues are discussed mentioned by Ahold CZ / Central Europe management were the regular *Collective Labour Agreement* talks and regular meetings (3 to 4 a year) with a larger group of trade union representatives. Besides this also irregularly smaller meetings take place. Management complained that because of the low degree of organisation of the trade unions within Ahold, these meetings sometimes address individual problems rather than covering wider policies.

## CSR policy management

There is not one person or department within Ahold Central Europe especially responsible for CSR policy – CSR is considered to have to be part of the work of each department. Special responsibility is allocated in the departments for Human Resources and PR. Also, for complaints there is a special *Compliance Officer* on different levels within the company (Ahold CZ and regional ones). The implementation of the *Code of Conduct* is considered to be the responsibility of the PR department.<sup>25</sup>

On global corporate level, Casper van Zijl is responsible for corporate sustainability. The position for Programme Director Health at the Ahold Corporate entity is at present vacant. The Health Programme Director for Europe is Onno Fransen. These positions are all located in the Netherlands.

Since the scandals in 2003 in the US, Ahold follows a *Road to Recovery* strategy and in that framework has adopted a new *Code of Conduct*<sup>26</sup>, which went into operation early 2005. The new code of conduct has gradual differences with the old one.

Publication of the translation of the full code into Czech, Polish and Slovak only happened in September. All three webpages also still feature the old 11-point summary of the former Code of Conduct. Only the Czech pages feature also a leaflet with a shorter version of the new Code.<sup>27</sup> Ahold responded that the PR department of Ahold Central Europe would adjust the web pages with the old Code of Conduct.

Although the US scandal has not been a hot issue within the Ahold companies in Central Europe, Ahold management says to see the resulting *Code of Conduct* as a very serious issue. Store managers receive training in the Code, and, as Ahold CZ had done for the old code, a simplified version in a limited amount of points is worked out for the whole work force. The entire code is translated into Czech<sup>28</sup>, and a shorter version is made for those who do not want to read the full document<sup>29</sup>. This version is

<sup>25</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

<sup>26</sup> Ahold, *Ahold Global Code of Professional Conduct and Ethics; What You Should Know About The Code*, Zaandam (2005); <http://www.ahold.com/index.asp?id=927>

<sup>27</sup> For the Czech Republic:

[http://www.ahold.cz/jnp/cz/ahold/spolecnost\\_ahold/eticky\\_kodex\\_pracovnika/index.html](http://www.ahold.cz/jnp/cz/ahold/spolecnost_ahold/eticky_kodex_pracovnika/index.html)

For Poland:

<http://www.ahold.pl/ahold/base.php?theme=ofirmie4&sectm=ofirmie4&ex=snews>

For Slovakia:

[http://www.ahold.cz/jnp/sk/ahold/spolecnost\\_ahold/eticky\\_kodex\\_pracovnika/index.html](http://www.ahold.cz/jnp/sk/ahold/spolecnost_ahold/eticky_kodex_pracovnika/index.html)

<sup>28</sup> [http://www.ahold.cz/public/f6/f1/5b/24/31148\\_39578\\_kodex\\_full.pdf](http://www.ahold.cz/public/f6/f1/5b/24/31148_39578_kodex_full.pdf)

<sup>29</sup> [http://www.ahold.cz/public/81/52/45/45/31146\\_39573\\_kodex\\_small.pdf](http://www.ahold.cz/public/81/52/45/45/31146_39573_kodex_small.pdf)

handed out and available online. Confusingly though, the website featuring the ethical codex for employees<sup>30</sup> also still features the short 11 point version of the old 2002 ethical codex, and as mentioned above, the Polish and Slovak website only feature this old short version next to the new entire text.<sup>31</sup>

Management stressed that the code does not only have obligations for the employees, but also a set of obligations for the management side. In the interview Ahold mentioned that management cannot require anything from employees that is in conflict with the law or company guidelines.

Information about the “*Fair Play line*” is widely spread throughout the organisation and the tool already has been used several times. Management stresses that the compulsory 14 days maximum for response time for response time on a complaint made over the Fair Play line is kept within Ahold CZ. Nevertheless, trade union representatives reported at least one case in which an employee had the impression that her complaint was not followed up upon. Management assured that if there were solid information on such a case, it would take steps to rectify the situation.

On the old Code, meetings were organised in each department where the Code was presented. Managers were required to hand out the Code to all staff and return a list of signatures to guarantee that staff indeed had received it. Store managers were instructed to distribute the leaflet together with the December 2004 pay slips.

People above a certain level (specified in the Code) have to pass a test on the code over the e-learning programme.

### **Monitoring compliance**

Responsibility for compliance is spread over the entire company. The *Code of Conduct* states: “*This Code applies to Ahold, its companies and all associates, job grade (Hay Group job level) 13 and above in Europe and job grade 14 and above for the U.S., working at Ahold and its companies, regardless of the contractual basis of their employment, unless associates are explicitly exempt from the scope of the Code*”<sup>32</sup>. Central Management in Ahold Central Europe sees store and floor management as having a special role in compliance and training for them on the *Code of Conduct* is provided. Within senior management the PR and HR departments carry extra responsibility for compliance.

The whistle-blower system mentioned earlier furthermore knows specific compliance officers on national and regional level that have to follow up on complaints coming on the *Fair Play line*. At Ahold CZ, these compliance officers are the HR specialists within the company.

### **Co-operation with independent organisations**

The whistle-blower system (*Fair Play line*) is run by Global Compliance Service, a US company that until a recent management buy-out was known as Pinkerton

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<sup>30</sup> Etický kodex pracovníka:

[http://www.ahold.cz/jnp/cz/ahold/spolecnost\\_ahold/eticky\\_kodex\\_pracovnika/index.html](http://www.ahold.cz/jnp/cz/ahold/spolecnost_ahold/eticky_kodex_pracovnika/index.html)

<sup>31</sup> See Appendix.

<sup>32</sup> Ahold, *Ahold Global Code of Professional Conduct and Ethics: What You Should Know About The Code*, Zaandam (2005); <http://www.ahold.com/index.asp?id=927>, page 5

Compliance Services<sup>33</sup> and part of the Pinkerton branch of the Securicor group. One of the reasons for the decision to take an external company for this task was to guarantee anonymity of callers that wish to remain anonymous.

Besides that the Hong Kong based company Li & Fung<sup>34</sup> looks at compliance of the Code in the supply chain concerning non-food articles from the Far East.

### **Violations and complaints**

There have been several complaints to the *Fair Play* line. According to management all of these were either based on miscommunication or have been dealt with very fast. Management did not know of any major complaints.<sup>35</sup>

From workers, however, we received information on cases when the caller did not know whether his/her complaint was followed up upon. For example, a store manager used the *Fair Play* line to seek justice in his case of being asked to leave the company after having a serious accident in his private life that resulted into absence from work for several months. The Czech Labour Code provides the right to work according to the previous employment position after an employee has returned from a documented medical treatment. The store manager in case qualified for all the conditions and therefore was entitled to be offered work on the level of a store manager as stated in his contract. After he was rejected his rights, he used the *Fair Play* line. He was not given any information about how and whether his case is being followed. Repetitive calling did not help. He finally signed an agreement on voluntary departure and left the company with a compensation of 2 monthly salaries (the Labour Code provides for 5 monthly salaries in the case of the company proposing departure).

The information about the *Fair Play* line was supposed to be given to employees in the form of a leaflet distributed to them in December 2004 together with their salary. According to trade unions, some store managers did not distribute this leaflet properly. When asked, some said they had no time to make it happen.

### **Relevance to international standards**

The *Code of Conduct*<sup>36</sup> is in the first line based on the *Code of Professional Conduct and Ethics* within the meaning of (i) Section 406 of the Sarbanes-Oxley Act of 2002 and (ii) the Securities and Exchange Commission Proposed Rules under Section 406. This line was followed after the financial scandal in the US.

The Ahold Code of Conduct besides this mentions under the header “Child Labour and Forced Labour”: “*We respect the fundamental rights of associates codified in local laws and by the International Labour Organisation. These rights include freedom of association, prevention of forced and child labour, non-discrimination and equal remuneration for equal work.*”

For data protection of consumer data, the *Code of Conduct* refers to the *U.S. Retail and U.S. Foodservice Codes of Conduct*<sup>37</sup>.

<sup>33</sup> Pinkerton Compliance Services Launches as Global Compliance Services, <http://www.globalcompliance.com/pdf/GCSLaunchRelease.pdf>

<sup>34</sup> <http://www.lifung.com> (beware: this link only functions properly in Internet Explorer)

<sup>35</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

<sup>36</sup> Ahold, *Ahold Global Code of Professional Conduct and Ethics; What You Should Know About The Code*, Zaandam (2005); <http://www.ahold.com/index.asp?id=927>

<sup>37</sup> Ibid., page 27

This new Code of *Conduct* is a bit more extensive than the code that was adopted in 2002<sup>38</sup>.

National management (HR and PR) discussed with us the Sarbanes-Oxley and ILO standards, but as especially Sarbanes-Oxley is not only referring to labour relations but also to financial standards, we did not get the impression that the management is familiar with all its details.

### Supply chain policy

Because of the limited scope of this research, we did not analyse one specific supply chain, but investigated the general principles on which supply chain relations are dealt with.

There is a stress within supply chain relations on product quality, but in its *Code of Conduct* Ahold mentions under the header “Food Safety and the Code”<sup>39</sup>: “*Food safety is a top priority at Ahold. We screen suppliers on the basis of their ability to provide the safest possible products and to live up to the spirit and letter of Ahold’s business principles as set out in this Code and to other accepted standards of business conduct reflected in the Ahold companies’ policies.*”

Management stressed<sup>40</sup> that this means that the *Code of Conduct* also should be upheld by suppliers. Contracts contain an article regarding conditions and this includes CSR issues. Local suppliers are screened before contracts are made and regularly afterwards. Screening is done by quality specialists that visit the suppliers – especially concerning fresh products like dairy products, fruit and vegetables. Also the Ahold buyers sometimes will travel to suppliers and make a check on compliance with contracts and Code, but this does not happen very often.

For non-food products – mainly coming from outside the region – quality control, including CSR issues, is done by Li & Fung.

As Li & Fung appears to control compliance of the main non-food suppliers of Ahold, we recommend further investigation into this supply chain.

The old Code of Conduct was more explicit in CSR for suppliers: “*We work with suppliers to systematically improve the social, environmental and ethical quality of their products and production. [...] In the long run we will favour those suppliers whose values and principles are aligned with our own.*” This is not repeated in the new Code. We have not yet received a comment from management whether this difference in formulation in the new Code also means a difference in practice.

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<sup>38</sup> The old Code of Conduct in the Czech Language can be provided on request

<sup>39</sup> Ahold (2005), [\*Ahold Global Code of Professional Conduct and Ethics; What You Should Know About The Code\*](#), Zaandam, page 29

<sup>40</sup> Interview at Ahold main office in Prague Nove Butovice, May 5, 2005

## Labour relations

### National union tradition and legislation

Both key ILO conventions (*C98 Right to Organise and Collective Bargaining Convention, 1949*; *C87 Freedom of Association and Protection of the Right to Organise Convention, 1948*) were ratified by the Czech Republic. The right to organise and protection of trade unionists are guaranteed by state legislation as well as international treaties. The law meets all the standards of the European Union since transposition of the *aquis communautaire* has been one of the major requirements for the Czech Republic to be accepted as a member of the European Union in 2004. Collective bargaining is regulated by the *Collective Bargaining Act* (came into force in 1991, than amended in 1995, 2000, and 2002).

The major body facilitating trade union organising is *The Czech-Moravian Confederation of Trade Unions* (Českomoravská konfederace odborových svazů, ČMKOS). ČMKOS was established as a voluntary association of unions, at the origin of which were strike committees that operated in and after November 1989. Its mission is to associate unions and to co-ordinate their activities in order to defend workers' rights and to promote all wage earners' common interests. There are currently 34 unions associated under ČMKOS; all of them are independent in terms of governance and administration. OSPO, *Trade Union of Workers in Commerce*, which is present at Ahold, is one of them.

ČMKOS is an important social partner in tripartite negotiations in the framework of the *Council of Economic and Social Agreement* of the Czech Republic. According to the still valid Labour Code the ČMKOS is entitled to comment on all the draft pieces of legislation concerning the labour legislation and draft legal regulations concerning important interests of employees, especially economic, production, labour, wage, cultural and social conditions. This important activity is channelled through the ČMKOS Legal Department. ČMKOS works in the regions of the Czech Republic through *Regional Councils of Trade Unions* (RROS) and *Regional Offices for Legal Assistance* (RPP).

However, the position of the trade unions in the country is significantly weakened by historical, economic, and socio-cultural factors. The general interest of people to become members of the trade unions is continuously decreasing. In 1991, the unions associated in the then functioning confederation counted 4,4 million members. In 1995, it was only 2,3 million, while today there are less than 850 000 members in total in all trade unions. ČMKOS is explaining this decrease by progressing privatisation in all sectors of economy, disintegration and break-up of large companies, and complications that accompany the process of establishing trade unions in smaller enterprises.

It is important to note that there are also other reasons for trade unions not being very popular. The idea of the unions has been misused in communist propaganda and profaned during the time of state socialism. After 40 years of false functioning, people still do not find unions reliable and able to represent their interests. Although there have been reforms, a total reorganisation of trade union structures as well as a change of leaders, in some cases the functioning of trade unions reminds of the manners of their old pre-1989 versions, the *Revolutionary Trade Union Movement* (Revoluční

odborové hnutí, ROH). However, the attractiveness and ability to act flexibly and in the name of the workers they represent can be varying greatly for each of the unions. In retail, the situation is more complicated given the nature of the business. For details see section below.

The Czech Labour Code provides the right of employees of large multinational employers in the European Community to be informed about and to be consulted on the most significant issues, in particular changes in the company business programme or in the work organisation. The process of information accessibility and consultation has to be negotiated between the central management and employees; usually a European employee council is established.

A European Works Council is established based upon an agreement of a special negotiation body and central management. An employer - a Community-scale undertaking - is obliged to create, at her/his own expense, conditions for the establishment and proper functioning of a special negotiation body, a European Works Council or an other agreed procedure for the provision of multinational information exchange and consultation.

Many multinational employers that operate in the Czech Republic have a European Works Council and, since May 1, 2004 when the Czech Republic became a member of the European Union, Czech employee representatives have begun to be involved in the councils' work.<sup>41</sup>

### *Trade Unions at Ahold<sup>#2</sup>*

Trade unions are established at Ahold. There is a total of 14 unions operating in the following cities and these are usually serving the needs of their members in the particular city and the nearby region: Prague, Tabor, Ceska Lipa, Pardubice, Svitavy, Breclav, Olomouc, Pruhonice – Cestlice, Pribram, Prerov, Semily, Brno, Moravska Ostrava, and Litovel. Each of these units has its own membership, for example the Prague unit serves 20 members from different Albert and Hypernova stores all over the city. The units are led by one representative of the workers who is responsible for membership fees, information dissemination, and is invited to regular meetings organised by the national trade union for retail OSPO. Three of these leaders are elected to represent the unions in the collective bargaining process.

Collective bargaining is carried out by a central organisation representing the unions – in the case of retail, the *Trade Union of Workers in Commerce* (Odborový svaz pracovníků obchodu, OSPO) that is also fulfilling the administrative and management role in the union's organising, such as calling meetings, assistance with the establishment of new units, distributing information, collecting comments from union members when the Collective Labour Agreement and other issues are being negotiated, mediating conflicts between the unions and management, providing legal help, etc.

The units contribute 30% of the membership fees to OSPO.

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<sup>41</sup> Sections 25d to 25l of the Labour Code.

<sup>42</sup> Source of information for this section is OSPO and local unions representatives.

Vis-à-vis the total number of employees, the number of trade unions members is low. Partially this can be explained by the general lack of trust and interest of people towards unions (as explained in the section above). There are also certain aspects specific to the retail industry that make it difficult for the unions to recruit more members and get stronger representation. One of it is the high fluctuation typical for retail. Although this is slowly changing for the better, in the past decade the core of long-term employees has been rather small; most of the rest migrates between jobs. Another reason may be that more than 80% of those employed in retail are women. Due to prevailing gender stereotypes and the role of mother and caretaker that is still demanded from them in the Czech society, women have less access, experience, time, and opportunities to organise at work. Traditionally women also get less respect in leadership and recognition in such public activities and therefore are not encouraged and motivated to organise at work.<sup>43</sup>

As an illustration: In one of our interviews with the local unions leaders, we heard that the reason why bargaining has not been so successful at Ahold is because there are mostly women employed. They compared this to Skoda Mlada Boleslav (a Volkswagen-owned car producer) where the unions managed to get all they wanted because they were men and therefore stronger in organising and negotiations.

When asked about the general attitude towards the trade unions, Ahold management expressed the impression, that trade unions are growing more into a similar position as those in Western Europe, partly because of more intensive international co-operation between labour unions after EU accession. They see them now more as partners instead of just “trouble-makers”.

Ahold management indicates a difference between the top of OSPO, that in its opinion tries to work in a more professional way, and lower representatives that, because of the low grade of organisation, tend to focus on single issues rather than solving problems in a broader context and setting policies.

Next to OSPO, the *Association of Free Trade Unions* (Asociace svobodnych odborů) was established in the Czech Republic, which is independent from the ČMKOS and OSPO organisational structure. It has not been active in Ahold so far. Ahold management is not aware of the existence of any independent trade unions in the branch.

Ahold CZ does not have its representatives at the European Works Council yet. The representatives will be elected by employees before the end of 2006 under the co-ordination of OSPO. Ahold mentioned that Jiri Navratil is the Czech candidate in the AEF. To date there is no other mechanism to ensure the inclusion of workers' interests represented in corporate decision making and management.

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<sup>43</sup> For more information about the status of women and gender equality in the Czech Republic, see e.g. Bridging the Gender Digital Divide: A Report on Gender and Information and Communication Technologies in Central and Eastern Europe and the Commonwealth of Independent States. UNDP RBEC Bratislava, 2004. Rozpocetovani z hlediska rovnosti zen a muz - informativni metodika, Ministry of Finance of the Czech Republic. Praha 2004. Shadow Report on Equal Treatment and Equal Opportunities for Men and Women. Gender Studies, o.p.s. Prague, 2004. Making Budgets from Gender Perspective. Ministry of Finance of the Czech Republic, 2004. or Rovné příležitosti do firem - Zpravodaj Gender Studies, o.p.s. <http://www.feminismus.cz/zpravodaj/>.

## Conflicts between management and workers

The biggest recent conflict at Ahold has been running in the town of Breclav. It received quite a bit of media attention. Employees of the store in Breclav repeatedly complained about the treatment and behaviour of the store manager while the management kept supporting him against a number of employees. Complaints were also presented to the local Labour Office (see section 4. Labour conditions for details about Labour Offices). They mostly concerned working hours issues - workers stated that there is a false evidence of hours worked, they get paid for a far lower number of hours than they really worked, overtime work is not being considered. Minimal due breaks for eating and rest were not provided either. They also complained about differences in wage among workers in the same functions and about gender based wage discrimination. The Labour Office confirmed wage discrimination as well as other violations of the Labour Law provisions and proposed a penalty for Ahold CZ up to CZK 250 000 (approximately EURO 8 300).<sup>44</sup>

The store manager fired a several of employees as a result of these complaints, especially those who were organised in unions (although Ahold management points out that this behaviour of the store manager was never officially proved). Ahold and OSPO both organised several meetings with store management and company management, without result.

Throughout the case Ahold's management stayed on the side of the manager, rejected the findings of the Labour Office and requested the Ministry of Labour and Social Affairs to re-investigate the case. In the interviews we had with Ahold management, it indicated that to its findings the complaints were not based on facts and that the good profitability of the store was proof of this. It posed some of the blame on the media hype created around this case, that was to have caused a dynamic of its own and an atmosphere in which complaints were exaggerated. It also questioned why similar cases occurring at discount chains (like Lidl or Kaufland) did not get any media attention.<sup>45</sup>

Another issue mentioned by union's representatives concerned a new productivity increase programme called IMPAC. Ahold management believes that this programme also will be beneficial for labour conditions, including wages. It is aimed to improve productivity by simplifying and standardising working procedures. IMPAC is perceived by the unions as an extra burden to employees, which consumes a lot of resources, costs a lot of money and does not really bring about positive changes. Some of the unionists and workers commented on it that it is similar to bureaucratic control applied in socialist times.

We have heard repeated complaints by workers that the IMPAC program takes them a lot of extra time, the responsible employees have to follow certain criteria of productivity and report them in a form at the end of the working shift. They also have to give explanations for certain indicators. For example they have to explain why sales are lower than usual. They would put reasons such as "period of the month unfavourable to shopping, people are out of money before they receive their monthly wages". There is no feedback on results of this monitoring given to employees. Not seeing the rationale behind it, not being informed about results, not seeing any

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<sup>44</sup> Czech dailies: Pravo, 14.8.2003 and Hospodarske noviny, 22.8.2003

<sup>45</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

practical impact, and being overloaded with usual tasks were indicated as being behind the dislike to IMPAC.

As part of IMPAC, a "Survey of values of heads of working teams" was conducted in 2004. According to workers, who received a written memo from the management, the results of this extensive survey were alarming. Out of 27 thousands of questionnaires, 11 thousand returned and the results showed that most employees face serious problems in their work and in relation to their managers and co-workers.

The survey was repeated but unlike the first one, the second one was not anonymous any more. We got indications from our interviewees that this fact meant a major change to people when thinking about their answers. Most of them basically faked their answers away from sharing their true feelings and experiences because of the fear of facing negative consequences from the side of management.

Ahold CZ management denied that IMPAC was having any negative effect on the working atmosphere. It attributed the negative feedback we had received to the background of our interviewees rather than to a general pattern. It did not refer to the above mentioned surveys nor discussed its results or following proposed improvements.

### *Company's attitude towards union members*

Workers are free to choose whether or not to join a trade union. There is no active recruitment by OSPO or the local unions leaders, nor by the independent trade union ASO, workers have to find their way to the unions. See also section 3.8. for more information.

The policy of Ahold does not state any reservations towards the unions and does not prevent workers from organising. Furthermore, the top management welcomes the presence of the unions and is open to dialogue. On the other hand, a number of cases have been observed when members of unions experienced difficulties at the work place and deteriorated work conditions (some can be classified as discrimination and intimidation resulting in unwanted departure from the company). Also cases were mentioned where local managers influenced union organising by separating union members from each other that used to work in the same store. None of these cases reported by the unions has been reported or acknowledged by the top management. Typically, these things happen on the level of stores and do not get further than to the store manager.

The union representatives mention that in the above described conflict case in Breclav, the situation was getting close to intentional union liquidation.

Ahold does not officially prevent union delegates from participating in the union's activities. The union leaders, however, state that there is a very little willingness to enable the union members to attend meetings, for example by swapping shifts to be able to attend a meeting at certain hour.

Union leaders have normal access to the workplace. Moreover, while in function they are protected by law from the possibility of being fired because of their union related activities.

In general, there are no obstacles to information dissemination from the side of Ahold. However, we have cases reported when a union leader wanted to create an information board inside the room for staff in a store in order to share information with their co-workers more easily. This was not allowed by the manager.

OSPO plays a very important role in facilitating information sharing with the union leaders who distribute it further to their members and colleagues. A lot of this is happening via personal meetings and by telephone contacts.

There are no publicly known cases of trade unionists being punished by the company. However, single cases have been reported when a worker was dismissed or degraded in job position or wage just because he or she was an uncomfortable member of trade unions. Such cases would not have any legal basis on which the harm could have been proven – other causes for this act against the worker would have been stated, such as bad quality work.

### Collective Labour Agreement

There is the Collective Labour Agreement (CLA) in place. The current one was concluded on July 1, 2004 and is valid until December 31, 2007. It is negotiated between Ahold management and OSPO without participation of non-organised employees or any other parties. Even though OSPO has only a low degree of organisation within Ahold (but one of the larger within the retail business), the CLA is valid for the whole company. We received access to the CLA, including the different draft versions produced by the unions in the process of negotiations in 2004.

A general comment from the workers and unions on the Collective Labour Agreement is that its duration time period (like the previous one currently 4 years) is too long and does not allow effective bargaining and valorisation. The unions were informed about the practice at Ahold Netherlands, where the CLA is negotiated for one year and can be prolonged for a second year if it is perceived as a good one.

The current CLA is not much different from the previous one. It is not being perceived as an optimal result of collective bargaining by the unions.

Union members reported that the demand that the company contribute to the retirement insurance (penzijní pripojístení) of the employees that has been repeatedly raised in negotiations since 2002. Although company management seems to be in favour of the proposition, it has not been realised until now. It is quite a common practice of the large employers in the Czech Republic to provide these contributions. The trade unions mentioned a sum of a monthly CZK 300 (approx. EUR 10) as common practice.

### Company's options for the transfer of operations

Ahold is organised in arenas. The Central European arena is one of them, and central management is based in Prague. The main reason for this is that Ahold's presence in the Czech Republic is larger than in the two other countries belonging to this arena: Slovakia and Poland. As long as Ahold maintains a strong presence in the Czech Republic, transfer of main operations (management, supermarkets, hypermarkets and

distribution) is not on the agenda. There are some issues playing a role relating to the multi-national basis of the arena idea. First of all there is the divestment of the Hypernova hypermarkets in Poland to *Carrefour*. Another issue is the fact that an increasing amount of Slovaks is working in Czech Ahold operations. According to management, these are mainly temporary workers that fill in gaps. Ahold CZ works for that with a Slovak employment agency. Management remarked jokingly that Ahold SK sometimes complains Ahold CZ steals their people. Fact is that because of a still lower living standard in Slovakia, Slovak workers are satisfied with lower wages. Probably because of a larger language barrier, a similar movement from Poland cannot be seen.

Recently the Ahold Central Europe arena decided to re-distribute certain central operations over the entire region, so not only in the Czech Republic. It decided that each country of the arena would operate a specific unit of the structure. According to this plan, all accounting is transferred to Krakow, Poland. As direct effect of this decision, Ahold dismissed all current 67 accountants in Brno, Czech Republic. As the unions confirmed, the process happened all in line with the law, trade unions were informed about in time about this move, and due compensations to the workers were provided.

### Access to information

Management has the impression that co-operation with OSPO is very satisfactory now. There are the CLA meetings, regular meetings 2 to 3 times a year and irregular meetings in between on issues. On the other hand, local unions leaders say that the company does not provide them with any information. If they get to know something, it is only through OSPO. Given the role of OSPO as the main partner, it is comfortable and obvious for Ahold to share information via this high level communication rather than informing each of the 14 local unions. It is probably in the hands of OSPO to keep the union members well informed and with the shortest delay possible. See also section 3.2.

During one of the interviews that took place in early April, one of the *Czech* union members, who is involved in some of the high level negotiations, did not know about the divestment of Hypernova hypermarkets in Poland. When asked, the unions usually answer that the company provides only the minimum information that is necessary to provide and not much more than that. In case of the closedown of the accounting centre in Brno, as well as the relocation of the distribution centre in Příbram, the unions were informed in detail and on time.

In general, there is a good co-operation between OSPO and the company's management and information exchange on the higher level is not a problem. On the low end, we have observed difficulties in information sharing between the store managers and the trade unions. For example, some of the store managers do not provide the employees (including the trade union members) access to the text of the CLA. In some cases employees were not given the information about the *Fair Play Line*.

## *Role of the trade unions within Ahold*

OSPO leadership is a close negotiation partner in CLA negotiations and has a similarly close and friendly professional relationship with Ahold management. On the other hand, union organisation at the base is very low. This research shows there are indications that the low organisation grade of employees causes problems and that there is no clear reaction nor strategy from the trade unions for membership recruitment and stronger on the floor organisation of employees – be it local unions, OSPO or the now within Ahold not active independent trade union ASO. This research indicates that this leads to sub-optimal communication between shop floor and union leadership, respectively between shop floor and Ahold management, because of which certain problems fail to be recognised or addressed on management level.

There were several reasons mentioned for the low organisation effort from the side of the local trade unions and OSPO. One of them is that in spite of an under 10% organisation degree, OSPO leadership is satisfied with its political high profile position – for instance as recognised partner for the (Social Democrat led) Labour Ministry, and in the form of being the recognised partner in CLA negotiations. Another reason mentioned was that the trade unions are financially and economically strong because of inherited capital and property from the pre-1989 unions. This would give unions no incentive to increase its member base for financial reasons.

It is the researchers' impression that the main responsibility for the low degree of organisation within Ahold is on the side of the local trade unions and OSPO, as well as on the side of the independent trade union ASO that fails to react on this situation and create a possibly healthy competition. We have the impression that Ahold management does as such not place too large barriers for a higher degree of organisation, be it noted that cases were mentioned where local managers seem to discourage union organisation. From the results of the research, we feel that the trade unions would need to focus on increase of membership in order to strengthen their factual mandate as well as to increase their capacity to systematise and communicate sub-optimal situations on the working floor, as well as strengthen their position to address wider CSR issues.

## *Profit sharing schemes*

The interviewed trade unionists and workers were not aware of any information about profits for the implementation of profit sharing schemes, in fact mostly did not understand what profit schemes are.

## *Complaints about the company*

There has been a complaint about the company at the National Ombudsman Office of the Czech Republic<sup>46</sup>. Unfortunately, we cannot support this case with any documentation since the information is confidential and the office does not allow third parties to access the files. Nevertheless, we have interviewed a witness who described the letter written to the Ombudsman by a group of female store workers. They complained about bad working conditions, especially working hours, long shifts with

<sup>46</sup>

Contact for the national Ombudsman office: <http://www.ochrance.cz/en>

no breaks, no possibility to plan ahead, and over-time hours that are not remunerated and not announced ahead of time. Unfortunately, we have no access to the information whether or not this complaint letter was followed up and in what way. Management said not to be aware of any such a complaint.

We explored why the workers would not use the trade unions or the central office of OSPO, as main negotiator. According to local members of trade unions, the main reason is that workers are afraid. Nobody wants to put their name on a complaint, everybody is worried about losing employment, and the socialist mentality of fear from institutions and being visible while complaining is still very strong in people. One of the leaders of the local unions puts this as the main obstacle for her work in the unions. Her co-workers are mostly very interested in the unions, the news and information, and they also like to provide information and complain but always insist on remaining in anonymity.

This was confirmed by EPS (Environmental Law Service, <http://www.eps.cz>), a public interest law organisation to protect human rights that has been working on assisting citizens in their access to court in case of violations of labour laws. In an interview, an EPS representative said that workers do not take legal actions against employers in the Czech Republic very often, even when they are provided with assistance and support. The main reason is fear.

## Labour conditions

Labour Offices and Labour Inspection Offices have the major role in labour relations in the Czech Republic. Labour Offices are district labour authorities constituted by the Czech labour laws to implement the state employment policy in co-ordination with the Ministry of Labour and Social Affairs.<sup>47</sup> There are currently about 80 Labour Offices. The competence and tasks of the Labour Offices include: running the Job Seekers Registry; running the Job Offers Registry; mediating employment; evaluating and implementation of Unemployment Relief payments; facilitating re-qualification programmes; carrying out administrative proceedings around and decisions to issue or reject employment permits, etc. Until July 2005, Labour Office also received the control and inspection function in terms of work relations in companies and institutions. On July 1, 2005 a new law<sup>48</sup> came into force that created Labour Inspection Offices led by a central State Office for Labour Inspection<sup>49</sup>, which takes over all control and inspection functions.

The Labour Inspection Offices are operating in all 8 districts of the Czech Republic with offices functioning in larger cities in the respective district. The Labour Inspection Offices monitor the observance of generally binding labour regulations by individual employers in terms of labour conditions and work relations. They are authorised to penalise employers with a fine ranging from CZK100,000 (approximately €3,300) to CZK2,000,000 (approximately €66,000) in cases of a violations of labour regulations. The law defines the detailed procedures for each instance of violation in the following areas: co-operation with the trade unions and other bodies representing workers; equal treatment, remuneration and compensation; working hours; security at work; leave; special work conditions; work contracts and work outside the work contract; security of work with technical equipment; activities of artistic, cultural, sport, and advertising nature.<sup>50</sup>

Individual employees can file complaints with the Labour Inspection Offices. In such cases, the Office is entitled to organise an inspection and based on the findings it can also penalise the employer. However, the Labour Inspection Office is not entitled to act in the interest of individual complainer and focuses only on aspects brought up by the complaint when doing the inspection. The complainer's name must remain in anonymity. This means that individual complainers cannot seek compensations and rectification of their cases at the Labour Inspection Office but they must proceed to court. No special protective measures exist for workers who initiate court proceedings against an employer but the Labour Code states that employers may not harm or handicap in any way an employee who seeks to legally enforce his/her rights in an employment relationship. Protection against dismissal is incorporated as well; the employer can only give notice to an employee in legally defined cases.

Trade unions have the right to propose improvements in working conditions; to insist that employers or their control bodies impose relevant measures against managers violating labour regulations; and to demand reports from employers on what measures were accepted in order to eliminate the existing defects.

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<sup>47</sup> Employment Act, Part II, Section 3

<sup>48</sup> Labour Inspection Code (Zákon o inspekci práce č. 251/2005 Sb.)

<sup>49</sup> State Office for Labour Inspection <http://www.suip.cz/>

<sup>50</sup> Labour Inspection Code (Zákon o inspekci práce č. 251/2005 Sb.)

## Child labour

### **ILO conventions ratified:**

- C138 Minimum Age Convention, 1973 not ratified by the Czech Republic
- C182 Worst Forms of Child Labour Convention, 1999 ratified by the Czech Republic on 19.06.2001

### **National legislation:**

The Labour Code forbids child labour for wage or salary until a child is 15 years old. Only artistic, cultural, advertising and sports activities are permitted. The permit is issued by the relevant Labour Office. No permit is required if the children are engaged in non-mandatory activities at schools, social care institutions or educational institutions and the children do not receive any financial reward.

### **Company practice:**

Within Ahold's CLA, there is no explicit clause on child labour. Both unions and the Ahold's management confirm that child labour does not occur at Ahold Czech Republic *and* the company obeys the national legislation.

Ahold contacts schools that provide vocational training in retail, in order to offer apprenticeships for students. For young employees (under 18 years of age) contracts state the conditions under which these young people work and provide wage tariffs for them that are different from the normal adult wage structure. According to law, a lower minimal wage applies in the following situations:

- 90% of the minimal wage for workers of age between 18 and 21 years old within the first 6 months of employment,
- 80% of the minimal wage for young workers of age between 15 and 18 years old,
- 50% of the minimal wage for workers who are entitled to full invalidity allowance and a young worker who is fully invalid but is not entitled to full invalidity allowance.

## Forced labour

### **ILO conventions ratified:**

- C29 Forced Labour Convention, 1930 ratified by the Czech Republic on 1.1.1993
- C105 Abolition of Forced Labour Convention, 1957 ratified by the Czech Republic on 06.08.1996

### **National legislation:**

The Labour Code forbids forced labour.

### **Company practice:**

Within Ahold's CLA, there is no explicit clause on forced labour, neither are there occurrences in company practice that can be classified as even coming close to forced labour. The unions' and the workers' gave, however, testimony of bad practices in terms of working hours, overtime, and special occasions such as inventory taking in the stores when workers have to perform work that is not part of their agreements and

for which they are not compensated. In a lot of such cases the cost of disobeying manager's orders were feared to be losing work or to face other sanctions. As reported by the union representatives as well as OSPO, this issue is being brought up repeatedly in meetings and correspondence between the unions and Ahold.

Erik van't Hof of Ahold management comments: *“The problem was discussed on the meeting with trade unions representatives. Company management is organising regular store audits and HR regional managers are both training store managers in labour law and checking how the rules are kept. If these cases still happen trade unions were asked to escalate the issue to the company management.”*<sup>51</sup>

## Discrimination

### **ILO conventions ratified:**

- C100 Equal Remuneration Convention, 1951 ratified by Czech Republic on 1.1.1993
- C111 Discrimination (Employment and Occupation) Convention, 1958 ratified by Czech Republic on 1.1.1993
- Convention on the Elimination of All Forms of Discrimination against Women ratified by Czech Republic on 22.2.1993

### **National legislation:**

Employers are obliged to ensure equal treatment for all employees with respect to their working conditions, including remuneration for their work and other financial performance and performance of a monetary value, professional training and opportunity to achieve promotion in the company hierarchy and other career development. Equal opportunity, however, does not mean egalitarianism.

In employment relationships, all discrimination is prohibited, whether direct or indirect, that is based on sex, sexual orientation, racial or ethnic origin, nationality, citizenship, social origin, language, health condition, age, religion, marital status or obligations towards one's family, political and other opinions, membership of and active participation in political movements, trade unions or employers' organisations. Discrimination based on pregnancy or motherhood is considered to be sexual discrimination.

Discrimination also includes conduct such as inciting, soliciting or inducing pressure that could lead towards discrimination.

**Direct discrimination** is defined as a conduct or omission, based on the stipulated discrimination grounds, whereby an employee is, has been or would be, treated in a more or less advantageous manner in comparison with other employees.

**Indirect discrimination** is defined as a conduct or omission whereby a seemingly neutral decision, distinction or procedure from the side of the employer disadvantages or favours an employee with respect to other employees based on the stipulated discrimination grounds.

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<sup>51</sup> Comment provided by email on Nov. 8, 2005.

Indirect discrimination associated with individual health includes refusal or omission to adopt adequate measures that are necessary in a particular case to ensure an individual with a disability access to work performance and to promotion and career development.

Harassment based on sex, sexual distinction, racial or ethnic origins, physical disability, age, religion or faith and sexual harassment constitutes discrimination.

**Harassment** is defined as conduct that is justifiably perceived as unwelcome, unsuitable or insulting by the relevant employee, and that tends to or leads towards diminishing an individual's dignity or that creates a hostile, humiliating or unnerving working environment.

**Sexual harassment** is defined as conduct of a sexual nature, in any form, that may be justifiably perceived as unwelcome, unsuitable or insulting by the relevant employee, and that tends to or leads towards diminishing an individual's dignity or that creates a hostile, humiliating or uneasy working environment or that may be justifiably perceived as a prerequisite for decisions that affect the performance of rights and obligations as ensuing from employment legislation.

### **Company practice**

Discrimination is one of the key points in the definition of co-operation between trade unions and the employer stated in the CLA. In case of discrimination both parties agree on immediate and effective co-operation leading to solving of the problem. Workers and trade unionists perceive that discrimination occurs in the company practice, especially such based on sex and union membership.

It has been observed during interviews with workers and unionists that the principle of equal pay for equal work or work of equal value is largely being ignored by the company. Workers in one store performing the same kind of job, and being assigned the same responsibilities, have different wages per hour for no obvious reason. Newly coming employees, although unqualified and inexperienced, often get higher wages than those working at the store for some years already. This occurs especially with seasonal workers or workers contracted via an agency. It happens almost as a rule that a woman after many years working in retail earns less than a young student.

When requests for explanation have been raised by workers, the store managers and HR departments usually answered that the prices on the market are different now than some years ago and that they have to offer higher pay to the new people. These concerns have been brought up on the individual level between the workers and managers.

The unions are well aware of the problem and raise it regularly in meetings with the Ahold management and at different other occasions. Ahold management claims to compound wages according to a clear wage structure. The collective agreement gives the unions the right to receive wage structure information. Although repeatedly requested, the unions have not been informed about the structure.

When asked about actions to stop this discrimination on the individual level, workers admit that they are not very active in fighting for justice. As the union's representatives explained, in most cases they bring the issue up once or twice with the

store manager and that is as far as they take it. All workers who reported such experiences with discrimination or unjust remuneration practice insisted on staying in anonymity. This attitude is explained by the unions by fear and not yet well-acquired habit for Czech people living under totality for many years to stand for their rights.

Management states that a good majority of employees (associates) is female and that therefore there is little pressure (in the negative sense) for different pay for same work based on gender. Salary scales are set based on position with a certain percentage related to task performance and education. Ahold CZ did a small survey during the “Breclav” affair<sup>52</sup> to check the situation and found a balanced situation in pay amongst sector managers.<sup>53</sup>

Equal pay for equal work is a specific theme in training. In 2003, Ahold introduced a programme for regional HR management. Part of this includes HR people travelling to stores and train people in labour law issues. These people also introduced in April 2005 the Ahold worldwide scorecard. This scorecard programme was set up as one of the attempts to make HR issues in different arenas comparable.

Ahold CZ management had become aware that there was especially amongst middle management a lack of knowledge of the labour code. The scorecard programme shows that the introduced programmes give positive changes in this respect.

Also the results of labour inspections are steadily improving. Since autumn 2004, labour inspectors are not required to announce inspections on beforehand any longer. In December 2004, the first unannounced inspection took place in Prague, and no irregularities were found.

The issue of ethnicity, which structurally is a significant factor within the Czech Republic, was not brought up by the management and is not seen as a problem. The conflicts that came into the media with Romany employees being discriminated when applying for a job or being underpaid did not concern Ahold outlets but other retail firms.

In terms of differences in the type of work performed on the basis of sex, ethnicity, union membership, religion, social origin, or political opinion, neither management, nor trade unions see any problems.

As for gender, management claims that the situation within Ahold is better than in other parts of society with over 50% of management positions being filled by women. It did in our interviews not make a difference between shop management and central management.

The trade unions are not much aware of gender issues and they claim that the company did the company adopt a specific policy towards gender equality or an affirmative action plan. Ahold management on the other hand points out that it is monitoring gender diversity in positions of store managers and senior management in the main office (HQ), target percentages are set for these groups as well.<sup>54</sup> Given the overall situation in the Czech Republic in terms of gender relations in the labour

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<sup>52</sup> For details about the Breclav case see section 3.3.

<sup>53</sup> Interview at Ahold main office in Praha Nove Butovice, May 5, 2005

<sup>54</sup> Erik van't Hof's comments by email on Nov.8, 2005

market and at the workplace<sup>55</sup>, it is likely that Ahold would find the similar negative phenomena as present in other companies, such as sexual harassment, privilege given to men in recruiting, education and promotion, discrimination of mothers, etc. Our research, however, did not give sufficient evidence to follow up with a more in-depth gender analyses.

Other differences in the type of work performed on the basis of ethnicity, union membership, religion, social origin, or political opinion were not found.

## Wages

### **ILO conventions:**

- C148 Working Environment (Air Pollution, Noise and Vibration) Convention, 1977 ratified by Czech Republic on 1.1.1993
- P155 Protocol of 2002 to the Occupational Safety and Health Convention, 1981 not ratified by Czech Republic
- C161 Occupational Health Services Convention, 1985 ratified by Czech Republic on 1.1.1993
- C170 Chemicals Convention, 1990 not ratified by Czech Republic
- C174 Prevention of Major Industrial Accidents Convention, 1993 not ratified by Czech Republic

### **National legislation:**

An employee is entitled to his wage and a premium (bonus) payment of at least 25% of average earnings for overtime work (or time *in lieu* of such extra payment). An employee is entitled to his wage and (paid) time off (1 hour of work on holiday = 1 hour of time off) for his work on a public holiday. If an employee and his employer so agree, instead of time off *in lieu*, such employee may receive (in addition to his wage) an extra (bonus) payment for work on a public holiday in the amount of at least his average earnings (100%).

Premium (bonus) payment for work on Saturdays and Sundays is not regulated by law and is to be agreed between the employer and his employee.

A wage rate may not be lower than the appropriate minimum rates set by Government Decree. The Act on Wages provides for minimum salary tariffs and the categorisation of employees into salary groups in accordance with the respective requirements for each salary group (both in public and private sectors).

Minimal wage (valid since January 1, 2005)<sup>56</sup>:

- a. CZK42.50 per hour within the working hours (approx. €1.43),
- b. CZK7,185 a month for an employee who is being compensated monthly (approx. €241.51).

Lower minimal wage applies in the following situations:

- 90% of the minimal wage for workers of age between 18 and 21 years old within the first 6 months in employment,

<sup>55</sup> See for example SHADOW REPORT ON EQUAL TREATMENT AND EQUAL OPPORTUNITIES FOR WOMEN AND MEN, Gender Studies Center, Prague 2004

<sup>56</sup> Ministry of Labour and Social Affairs, [www.mpsv.cz](http://www.mpsv.cz)

- 80% of the minimal wage for young workers of age between 15 and 18 years old,
- 75% of the minimal wage for workers who are entitled to partial invalidity allowance,
- 50% of the minimal wage for workers who are entitled to full invalidity allowance and a young worker who is fully invalid but is not entitled to full invalidity allowance.

In accordance with the Labour Code, trade unions have the right to be informed in particular with regard to the development of wages, the average wage and its components, including the articulation of job classifications. According to Section 22 of the Labour Code, trade unions should monitor observance of the Labour Code and other labour regulations, including the regulation of wages.

The Act on Wages, Work Emergency Compensation and on Average Remuneration provide for the principle of equal pay for equal work or work of equal value.

### **Company practice**

Management claims that there is little space to move in wages within the sector as the sector is characterised by very low profit margins. Ahold therefore tries to bind employees with secondary benefits, education and social binding.

This means that management claims that wages in Ahold are similar to retailers as Carrefour, Tesco, Delvita / Delhaize and Meindl and slightly better than price cutters like Kaufland and Lidl.

Amongst the secondary benefits Ahold organised schemes to upgrade the social acceptance of the work as cashier by the introduction of a state recognised diploma, the development of centres of excellence and training, attention to work environment, family shopping and social events (including a nation wide football competition).

The unions and workers are generally not satisfied with the level of wages. They claim that in comparison with other retail chains, their conditions are on the lower end. It was mentioned in the interviews that for example Penny Market provided the so called 13<sup>th</sup> salary (comparable with the Dutch system of the “holiday money”) while this is not the case at Ahold, and moreover, workers at one respective store of Ahold worked for fixed monthly wages only without any bonuses towards the end of 2004. When asking for reasons, the store manager informed them that they did not meet the productivity criteria, which were €1,000 lower than expected. Ahold management comments: “Ahold standard practice is to analyse carefully the salary level every year and adjust salary scales from January. This process is just running and new salary scales for 2006 will take into account the expected increase of minimal wage tariffs and development on the labour market.”<sup>57</sup>

Workers also complain about the low value of their luncheon vouchers or “*stravenky*” – tickets for purchasing groceries and meals in restaurants, in comparison with other companies. The value of these vouchers was recently increased from CZK40 (€1.3) to CZK50 (€1.6) per voucher, which is still considered low.

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<sup>57</sup> Erik van't Hof's comments by email on Nov.8, 2005

The unions have been negotiating for over 2 years to get a company contribution towards pension insurance for its workers. This provision is also considered standard in most of the companies in the branch. The trade unions mentioned a sum of a monthly CZK 300 (approx. EUR 10) as common practice. The management agreed on starting such contributions, but no action has noticed by the trade unions until today. Reason given by management is that it is waiting for a large Czech government pension reform that was announced already a long time ago, but is steadily postponed. Ahold management is reluctant to agree on a pension scheme that would have to be completely revised again on short notice because of a completely new State pension system.

The major problem with wages, as reported by the unionists, OSPO, as well as workers, is that the company does not pay all the hours worked. For example workers reported during the interviews about instances when they were asked to work a large amount of hours overtime or come to work although they were not scheduled for the shift. This happens especially when storage inventory or exceptional cleaning needs to be done. Some of the store managers offered compensation in the form of time-off to make up for the extra time worked. However, when workers wanted to claim that time off, they were told it is impossible, or the promise was already “forgotten”. Unions evaluate this as a more general lack of staff. Company management sees this as individual cases and does not recognise a structural problem.<sup>58</sup>

Ahold’s Collective Labour Agreement provides for extra pay for work on Sundays (CZK 15 per hour on the top of the normal wage = approximately EUR 0,5). Sector managers in stores and store managers are not entitled to this extra pay.

This provision of extra pay on Sundays is often not met in practice. The unions showed us documentation of their complaint to the company in which they ask the top management to solve the situation. They described cases in which workers are not being given this extra pay on weekends. They also alerted the company about discrimination in cases when some workers get this compensation and others not, although being at work at the same time. The company asked for lawyer's expertise on the discrimination issue and based on that concluded that there is no discrimination happening. The unions are not satisfied with the result and will most likely organise a follow up action.

In terms of some of secondary benefits, according to our information provided by the workers and the local unionists, these benefits are not very popular. For example there is the possibility for employees to get a discount of CZK 150 (approx. EUR 3) if their shopping value at Ahold's stores reaches CZK 1000 (approx. EUR 33). Some employees commented in our interviews that it’s not practical for them to purchase food for such a high value at once and they hardly ever use this discount possibility.<sup>59</sup>

Some benefits were even marked as ridiculous by the employees, especially the possibility, for example, to buy a high-profile car from Ahold's business partner. Workers commented that they would not be able to afford a car of such price given the value of their salaries.

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<sup>58</sup> Erik van't Hof's comments by email on Nov.8, 200

<sup>59</sup> We assume that this discount does not apply for non-food items. No detailed data about usage or popularity of this provision is known.

Ahold also claims to be organising common events for its employees as mentioned in the internal magazine for employees Ahold Express. We asked a few employees who have been working for the company for up to 6 years about these events and they answered that they have never participated in any such event, neither have they ever received an invitation to one.

### Working Hours

#### **ILO conventions:**

- C26 Minimum Wage-Fixing Machinery Convention, 1928 ratified by Czech Republic 1.1.1993
- C95 Protection of Wages Convention, 1949 ratified by Czech Republic 1.1.1993
- C99 Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 ratified by Czech Republic 1.1.1993
- C103 Maternity Protection Convention (Revised), 1952 not ratified by the Czech Republic
- C30 Hours of Work (Commerce and Offices) Convention, 1930 not ratified by the Czech Republic
- C52 Holidays with Pay Convention, 1936 not ratified by the Czech Republic
- C14 Weekly Rest (Industry) Convention, 1921 ratified by the Czech Republic on 1.1.1993

#### **National legislation:**

Under the Czech Labour Code (Section 83a), weekly working hours may not exceed 40 hours (i.e. 42.5 hours, including the mandatory half-hour lunch breaks). Exceptions from this rule apply to the following employees:

1. employees working underground in mining coal, minerals and non-metallic minerals, mining development and in mining geological surveys – no more than 37.5 hours weekly,
2. with three-shift and uninterrupted operation – no more than 37.5 hours weekly,
3. with two-shift operation – no more than 38.75 hours weekly,
4. juveniles under sixteen – no more than 30 hours weekly; the daily working hours may not exceed six hours.

The employer must provide the employee with a lunch and work break of no less than 30 minutes after six hours of uninterrupted work; juveniles must always be provided with a lunch and work break no later than after four and a half hours of uninterrupted work (Section 89(1) of the Labour Code).

Lunch and relaxation breaks cannot be provided at the beginning and the end of the working hours (Section 89(4) of the Labour Code). The provided lunch and relaxation breaks are not included in the working hours (Section 89(5) of the Labour Code).

#### **Company practice:**

There are 2 major problems with the working hours as presented by the unions: is over-time work caused by understaffed stores and not recognising a dual-shift regime of working hours.

As for over-time work, in our interviews we had numerous reports about workers not being able to have a day-off in the week, for example during the time period of 4 weeks. It is not exceptional that sector managers in the stores (sector managers are responsible for each sector such as bread, vegetables, milk products, etc.) do not manage to finish all their work during their working time. They stay longer in order to avoid a bad evaluation but they cannot claim compensation for the time worked above their official working hours. When there is a general complaint raised by workers that more staff would be needed to manage all the tasks assigned, the response often is that the company cannot afford to recruit more workers because of productivity.

Also workers and unions report a large amount of cases where the planning of shifts is failing. Workers are also asked to come to work although they before were not signed up to that shift. Workers are expected to be flexible and react to such a request on day-by-day basis. These requests come usually when the number of personnel becomes critical for some reason (for example illness or absenteeism), or when there is a storage inventory, need for a large clean-up, or some other kind of event outside the daily routine of the store. As mentioned in section 4.4 these extra hours are problematic also in terms of compensation. In the situation of under-staffing, it becomes also very difficult to provide workers with minimal due breaks for eating and rest as required by law.

In terms of the dual-shift regime, workers and unions have been complaining that the company is claiming that it is functioning in a normal regime of working hours but in fact it is functioning in so called "two-shift pattern of work" defined by the Labour Code, par 83:

"A two-shift pattern of work" shall mean a pattern (schedule) of work organisation in which employees rotate in two shifts during a period of 24 consecutive hours. "A three-shift pattern of work" shall mean a pattern (schedule) of work organisation in which employees rotate in three successive shifts during a period of 24 consecutive hours.

The maximum weekly working time shall be 40 hours. The maximum weekly working time of employees who work a three-shift pattern (schedule) of shifts shall be 37.5 hours. The maximum weekly working time of employees who work a two-shift pattern (schedule) of shifts shall be 38.75 hours.

The authors of the complaints (sent to OSPO and to the Labour Office) explained to us that all large retail chains acknowledge using a "two-shift pattern of work" and organising the working hours of their workers accordingly. In Ahold workers come to work in two shifts – morning and afternoon but are still required to work 40 hour per week as if it was not a "two-shift pattern of work". The Labour Office concluded its investigation by saying that the company should obey the law and recognise the "two-shift pattern of work" because its practice. However, since this complaint was filed, nothing changed at Ahold in this regard. The complainer was not informed whether or not the company reacted on this finding of the Labour Office authority, if it was penalised, or if changes are underway. As explained in the section 4 about Labour Offices and Labour Inspection Offices, the complainer is not entitled to such information, nor is the Labour Office (now Labour Inspection Office) authorised to take the case further than to pronounce its conclusions, recommend changes, and issue a penalty.

## Reorganisations, outplacement, flexible working and job security

The largest change within Ahold in the Czech Republic in the last five year was the creation of the Central European arena as from 1 January 2003. The arena model was one of the first reorganisation steps to flow out of the *Road to Recovery*, following the 2002 financial scandal in the United States.

The creation of the Central European arena meant the introduction of Ahold Central Europe next to Ahold CZ, Ahold SK and Ahold PL. Ahold Central Europe took over some of the core management and strategy functions. This included also functions in the areas of Human Resources, though each of the national branches will maintain a full HR department due to differences in local legislation and market structure.

The *Road to Recovery* also led to a more open corporate alignment of Human Resources management, even though the principle of localisation remains the basis. The 2004 Sustainability Report states on this issue: *“Our approach to Human Resources (as well as other functions) is becoming more co-ordinated through the development of a matrix reporting organisation. In a matrix structure, the arena CEO and the Group Support Office (GSO) function head take primary responsibility for alignment. This results in each associate having two reporting lines, one within the arena and one within the GSO functional department. Managing talent and building a group-wide culture are global issues; a matrix organisation facilitates management of these issues as well as exchange of best practices.”*<sup>60</sup>

Another part of the *Road to Recovery* is the new *Code of Conduct*<sup>61</sup>, which was implemented on March 1<sup>st</sup>, 2005. The implementation of the new code within the Central European arena seems to take longer – the new code only appeared in September on the Ahold Central European webpages in local languages.

As part of the *Road to Recovery*, Ahold divested 13 hypermarkets towards Carrefour in February to April 2005. There are no similar moves expected in Slovakia and the Czech Republic. It did acquire 56 Julius Meinl stores in the Czech Republic in 2005 as first international acquisition since the programme started.

Independent from the *Road to Recovery*, Ahold CZ closed the smallest of its distribution centre in Příbram in the start of 2005.

Ahold Central Europe moved its accountancy department from Brno (CZ) to Krakow in Poland in 2005.

In the divestment of the Příbram distribution centre around 60 people lost their position. All got an offer to work in other distribution centres or in the two stores in Příbram or a newly to be opened hypermarket in Prague. There were outplacement programmes. Only 10 people accepted a move to other distribution centres. Management remarked that the decision from these employees to take this offer came

<sup>60</sup> Ahold, *Ahold Sustainability Report 2004*, Zaandam (2004); page 16.  
<http://www.ahold.com/index.asp?id=839>

<sup>61</sup> Ahold, *Ahold Global Code of Professional Conduct and Ethics; What You Should Know About The Code*, Zaandam (2005); <http://www.ahold.com/index.asp?id=927>

in all cases very late. The others received a severance payment, which was above the legal standard and as claimed by management also above the average in the Czech Republic.

When the Ahold Central Europe arena accounting department was replaced from Brno, Czech Republic to Krakow, Poland, Ahold dismissed all current 67 accountants in Brno. The process happened in line with the law; unions were informed about it in time, and due compensations were provided to the workers.

## Other CSR issues

### Environmental impacts

Both in the old and new Code of Conduct, Ahold has mentioned environment as an important issue. Within the framework of this research, Ahold's environmental record was not investigated into great depth. A short analysis of products, however, in one of their hypermarkets revealed that in spite of the Healthy 5 programme, Ahold is featuring less organic products than competitors *Delvita* and *Carrefour*.

Important is to notice, that Ahold Central Europe does not feature at all in the environmental chapter of the 2004 sustainability report. We were not able to get an overview in energy use, waste production, recycling and organic products use within Ahold Central Europe.

According to management and in-company prescriptions, all short-term expiration goods are liquidated at the end of each day. Evening discounts of bread and bread rolls were cancelled; neither are employees able to take these goods for themselves for a discounted or symbolic price. According to workers, a typical write-off value of short-term expiration goods in one supermarket store is CZK30-70,000(EUR1,000 – 2,300).

This policy of selling only 100% fresh food sharply contrasts with several recent scandals in summer and early autumn of 2005 in which several Albert and Hypernova outlets, were penalised heavily for selling outdated fresh products as well as moulded products, and the presence of mice in the stores. This included its new model-Hypernova hypermarket in Prague Nova Butovice where also Ahold Central Europe and Ahold CZ headquarters are situated. Also one of the newly obtained Meinl outlets was penalised by the Czech Hygiene Inspection. Ahold management laid responsibility at the local shop management and promised fast structural remedies. From media analysis it is not clear whether the high concurrence of Ahold related incidents is related to a specifically Ahold oriented inspection programme or because of a higher occurrence of problems within Ahold stores.

### Corruption

We have not been able to find any indication for corruption problems around Ahold.

### Human Rights (other than labour rights)

The Environmental Law Service (<http://www.eps.cz>), a public interest law NGO, described to us in an interview how difficult it is to run a law suit against a multinational company for an individual violation of the labour law. The Czech labour force is not used to sue employers (reasons described in other parts of this report). If there is a brave individual, there are still major obstacles to be faced. For example, EPS was assisting a case of wage discrimination and mistreatment at the workplace of a big German based company operating in the Czech Republic in the area of retail. The company made co-workers to witness in its advantage against the aggrieved. The company offered these witnesses a financial reward for giving fictional testimonies.

It is very difficult to apply law in the environment of low legal awareness and enforcement. Although the provisions of the labour law meet the EU requirements and internationally adopted principles, the Czech labour force is rather passive when it comes to demanding the law observation in practice. There is a very low public awareness of rights in work relations in the Czech Republic and information of the newly adopted principles have not yet been spread among the workers (the Ministry of Labour and Social Affairs also did not realise any campaign to familiarise the public with the Labour Code amendment).

Under Section 26 of the Code of Civil Procedure, trade unions can represent their members in court, excluding complains in commercial cases. If the trade union intervenes, a delegate of the trade union shall represent the plaintiff in court. However, trade unions cannot initiate proceedings themselves. (The Act on Collective Mediation establishes that those parts of the collective agreement that are contrary to the law shall be invalid.)

However, collective action is viewed as a communist heritage and thus defiled; the damaged understand their situation as a personal individual problem. Moreover, there is the constant threat of unemployment, and also the trust to any juridical procedures is very low. This is combined with a low effectiveness of courts; proceedings are time consuming, complex and costly.

## Conclusions

The main conclusion from this report is that Ahold is trying to upkeep a good level of corporate social responsibility in the Czech Republic. This is largely based on the corporate culture of its mother in the Netherlands, but received an extra impulse from the aftermath of the financial scandals in its US operations a few years ago. The standards that Ahold says to want to upkeep in its Code of Conduct, both the old and the new versions, is higher than what Czech legislation requires and in most cases higher than average standards in the branch. This is not only a question of altruism from Ahold – it fits in its market strategy to offer high quality for an affordable price.

The report also looked at the most important co-player in the establishment of Ahold CZ's corporate social responsibility: the trade unions and the retail trade union central OSPO. We found that both players created a playing field in which problems are brought to discussion and in which both parties try to find solutions. From the side of Ahold, this falls clearly within the consensus oriented polder-model in which the mother company operates in the Netherlands. As one of the remarkable results, the trade unions and OSPO are the sole negotiation partners in the Collective Labour Agreement, although the degree of organisation within Ahold is very low mainly due to local culture.

Nevertheless, the report indicates several instances where the positive theory does not match praxis.

### General operation of Ahold Central Europe

Since the first phase of the Company Monitor, Ahold went through a fundamental change in structure on the wave of financial scandals in the USA. One of the main objectives of this reorganisation was to increase transparency and accountability. However, the change of structure from three independent units into one Ahold Central Europe did lead to one strong reduction in transparency: it is no longer possible to follow the performance of operations in one country due to the coagulated economic indicators. This has to some extent also hampered this investigation. It was not possible to follow productivity development, import and export streams nor flow of capital any longer. The researchers advice Ahold to publish next to the Central European arena figures also the national turn-over, national pre- and post-tax profit, import and export and other economic indicators. This would help analysts to better understand the background of certain decisions in the field of CSR, and especially labour relations, as well as the contribution Ahold is delivering to the local economy.

As mentioned above, the authors have the impression that there is a lot of good will among the Ahold Central Europe management to react to concerns of employees / associates and create a company atmosphere that appreciates them. Still we have found several cases where the explanation of “only individual incidents” may have been given too fast and where a more structural approach may be needed. The authors therefore recommend Ahold management and trade unions to pay attention to issues as payment of all hours worked, due remuneration or compensation of over-hours, strict implementation of in-time information procedures for shift changes and irregularities in working hours, and avoiding illogical payment differences between new and existing employees.

On a more general level, Ahold and the trade unions appear to fall behind in comparison with some of Ahold's competitors in the development of pension and health schemes within Ahold Czech Republic. The argument of lacking state policies in the matter is an understandable one, but not sufficient to explain the complete lack of such provisions.

Part in this report mentioned problems are directly related with the market position in which Ahold finds itself. In particular, the appearance of so-called “price fighters” – retail chains concentrating completely on low pricing – puts pressure on Ahold to reduce costs. The authors therefore conclude that it would be good when the CSR behaviour of Ahold's competitors also would be monitored, in order to get a good picture of the dynamics of this price fighting on the general CSR conditions in the Czech Republic. OSPO could instigate such research possibly with support from the EU and European trade unions.

Although Ahold employs a majority women, statistics show there is still a glass ceiling in place to a certain extent. The authors recommend Ahold to monitor developments in the Czech Republic, for instance by comparing its policies with those of successful firms in the Czech Competition for the best firm with equal opportunities for men and women in the Czech Republic.<sup>62</sup> It is important, however, that the issue of gender in the company is approached with attention to the national situation, which knows strongly locally bound myths and barriers.

### Code of Professional Conduct and Ethics

First of all there are more general shortcomings in the corporate Code of Conduct. These shortcomings do not only play a role in the Czech Republic, but in the entire organisation of Ahold.

One of the issues that in the opinion of the authors is missing from the Code of Conduct is a specific active commitment of Ahold to promote freedom of association. This would certainly enhance the degree of organisation within the company and therefore, amongst others, improve the mandate of Ahold CZ's negotiation partner(s) in the Collective Labour Agreement (see also below).

The report found that where the former code of conduct still implied that deliverers in the supply chain were supposed to follow the principles of the code of conduct, the new code is less specific about this point. The authors therefore recommend further research into whether the supply chain of Ahold also matches the principles Ahold says to upkeep. The report identifies the need to investigate in both the food sector, which is largely locally based and where compliance is monitored by Ahold staff, and the non-food sector, where compliance with rules and Code of Conduct are outsourced to the Hong Kong based firm Lie & Fung. The authors also would like to recommend to Ahold a more explicit mentioning of the supply chain in the code of conduct.<sup>63</sup>

The introduction of a whistle-blower and complain system in the form of the *Fair Play* line can be seen as an improvement for employees to ventilate concerns. Two

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<sup>62</sup> Soutěže o nejlepší firmu s rovnými příležitostmi pro ženy a muže v ČR:

<http://www.rovneprilezitosti.ecn.cz/>

<sup>63</sup> See paragraph 2.11

issues of major concern were found in this system. The first is that in spite of a strong guarantee from the side of national management that all employees will be made acquainted with the system, the researchers found several instances where information about the *Fair Play* line was not adequately spread. Compliance with the company policy in this field should be well monitored.

A second concern was expressed about the conflict of interest that can arise when the processing of complaints made over the *Fair Play* line is in the hands of people falling within the Human Resources Department. One of the key issues in fair whistleblower systems is that complainants will not have to fear possible repercussions in their employment. The authors therefore advice to move processing of *Fair Play* line complaints to a functionary independent of HR. Better would be even an independent structure with access to the company, like an independent compliance agency or trade unions.

Where the global company tried to stress the importance of CSR amongst others in adapting the name “associates” for employees, Ahold CZ faces a translation problem. The used word “kolega” does not fully cover the role that Ahold envisions, as the word colleague still implies hierarchical barriers between the employee and her/his responsibilities and rights within the company. The authors recommend at least to use the translation “kolega” consequently on all levels, if not finding a better term that can motivate employees to be more active in the total running of the company – including filing complaints about CSR issues.

The Code of Conduct and Ethics is to be implemented in depth over an e-learning programme. Analysis of the content and effectiveness of this programme fell outside of the scope of this research, but the authors recommend further independent research into the functioning and role of this tool. This could be a part of a wider investigation into the implementation of the Code inside Ahold.

### *Relation of Ahold with the trade unions*

The report found several publicly known cases where lower management within Ahold punished trade unionists. Single cases were reported where a trade union member was dismissed or degraded in job position or wage because of being outspoken. The authors concluded it was difficult to trace such cases, as other arguments for these acts – such as bad quality work – could be used to obscure real reasons, especially because activity as trade union member is an illegal reason. The authors had to conclude that the amount and form of the incidents they were able to find does not prove a clear pattern and could exist of single incidents. The authors, however, recommend active attention from Ahold management and from the trade unions to avoid that such incidents could develop into patterns.

The report also concludes that there is a large gap between the organisation grade of the trade unions and the factual importance of the role they play as dialogue partners with the Ahold management. The report furthermore concludes that there is no competing presence of independent trade unions from the Association of Independent Unions (ASO). This situation is leading to a sub-optimal quality of the contacts between the trade unions and Ahold management, a lack of mandate in the negotiations in the Collective Labour Agreement, and a sub-optimal structure to discover tension patterns in labour relations and other corporate social responsibility

issues in an early stage, as well as a lack of sufficient strategic quality among lower trade union representatives. The low organisation grade also leads to a relative large distance between the work floor and OSPO leadership.

In this situation, the absence of a pro-active membership recruitment strategy on the side of the OSPO member trade unions is striking. On the other hand, the absence of an explicit commitment to promote freedom of association on the side of Ahold does not help to motivate stronger organisation of employees / associates.

The authors conclude that this issue of mandate / organisation grade deserves active attention from both the trade unions / OSPO and Ahold management, and we believe that many of the problems highlighted in this report could be addressed better in an environment of higher organisation on the work floor. On the side of OSPO and the independent trade union ASO this would mean the elaboration of an active recruitment strategy. Ahold management could take up the issue pro-actively with local store managers and within its contacts with the trade unions.

### *Role of the Labour Offices and Labour Inspection*

The report notes that workers and unions do not find the oversight function of the Labour Inspection Offices effective, which took over this competence from the Labour Offices July 2005. If a complaint is filed, this complaint is merely considered as a recommendation for control activities and the complainant (individual or trade union) is not considered participant of the case and therefore not informed about findings and results.

The trade unions appreciate that the fines for violations were increased in the new law, but they criticise that it still is unclear whether penalties are effectuated or what the consequences for non-compliance (in the form of non-payment of penalties and non-implementation of recommendations) is. It is furthermore unclear which steps trade unions or individuals could take in case of non-compliance. They consider the court system too weak to make big players like multinational companies take their duties seriously. It was remarked that in case the employer apologises for mistakes and the Office excuses the company for paying, workers have no possibility to change such decision.

Even worse - for some companies the penalty can be just a fixed item in their operational loss budgets without implementation of compliance with the law. Even though there is no evidence of this, employees stated their fear that also Ahold might be aware of these facts and therefore not much afraid of controls by the Labour Inspection.

On the other hand, non-compliance with Labour Inspection recommendations or non-payment of penalties constitutes an infringement of the law and Ahold's Code of Conduct. The authors conclude that the mentioned fear amongst employees is caused on one hand by bad experiences from the entire retail branch and not necessarily within Ahold, and on the other hand by a low level of employee organisation, leading to ineffective pressure on employers and Labour Inspections to take implementation more serious. This issue needs more attention from the Labour Inspections, the Ministry of Labour and Social Affairs, but explicitly also from the trade unions and Ahold management in order to restore trust in the state of law.

### *Focus points for Company Monitor's future phase*

Issues that need continued attention from FNV Mondiaal include:

- trends in the work force flexibility
- pension and health schemes
- organisation grade of employees
- implementation of the Code of Conduct
- CSR policy and its relation to the supply chain
- payment issues and overwork
- the role and status of the Labour Inspection

## Ahold's reaction to the report

Reaction by e-mail, 31 May 2005.

*Dear Mr.Haverkamp,*

*Thank you for the last version of the Company Monitor Report. (...)*

*We already give you our comments earlier, last comments were sent by Erik van't Hof and I see [them] incorporated (...) in the text.*

*As far as the report was done long time ago I would like to inform you about the recent development in Ahold CR, especially referring to the par.4.3, page 42. Salary scales as described in our comments on page 47 were updated in the meantime and wages in stores adjusted according to the individual performance, on the basis of regular yearly appraisal. This process took place in March 2006 and it was organised very carefully. After this procedure it should not happen that associates with standard performance have lower salaries than newcomers.*

*It is not possible to describe here all reactions of Ahold to findings from inspections of frequent labour office checkings. I would like to ensure you that it is first of all in the company interest to put in order all findings if there are any. Fortunately, if I compare number of checkings and number of findings, the result is positive for the company.*

*Finally, I would like to inform you that the PR department has already updated web pages in CR and SK with the valid Code of Conduct, in PL it will be completed next week together with the new version of web pages.*

*In general, I would like to emphasize that Ahold Central Europe strives to be perceived as good, fair employer in all three countries.*

*I believe that all these Ahold comments you incorporate in the final report.*

*Best regards,*

*Ivana Dufková, Manager Compensation & Benefits*

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# Appendix 1: Ethical code for employees - AHOLD CZ

PAGE INFO: Modified: 21 November 2005 10:59:36



The screenshot shows a Mozilla Firefox browser window displaying the Ahold website. The page title is "Ahold | Etický kodex Aholdu - Mozilla Firefox". The address bar shows the URL: [http://www.ahold.cz/inp/cz/ahold/spolecnost\\_ahold/eticky\\_kodex\\_pracovnika/kodex\\_pracovnika/index.html](http://www.ahold.cz/inp/cz/ahold/spolecnost_ahold/eticky_kodex_pracovnika/kodex_pracovnika/index.html). The browser's toolbar includes various icons and the text "Done".

The website content features the Ahold logo at the top left. Below it is a navigation menu with the following items: HLAVNÍ STRÁNKA, **SPOLEČNOST AHOLD**, Z historie společnosti, Základní fakta, Management, Ahold ve společnosti, Finanční ukazatele, Etický kodex Aholdu, SÍŤ A ZNAČKY, PRO UCHAZEČE, PRO NOVINÁŘE, PRO DODAVATELE, REALITY, and KONTAKT.

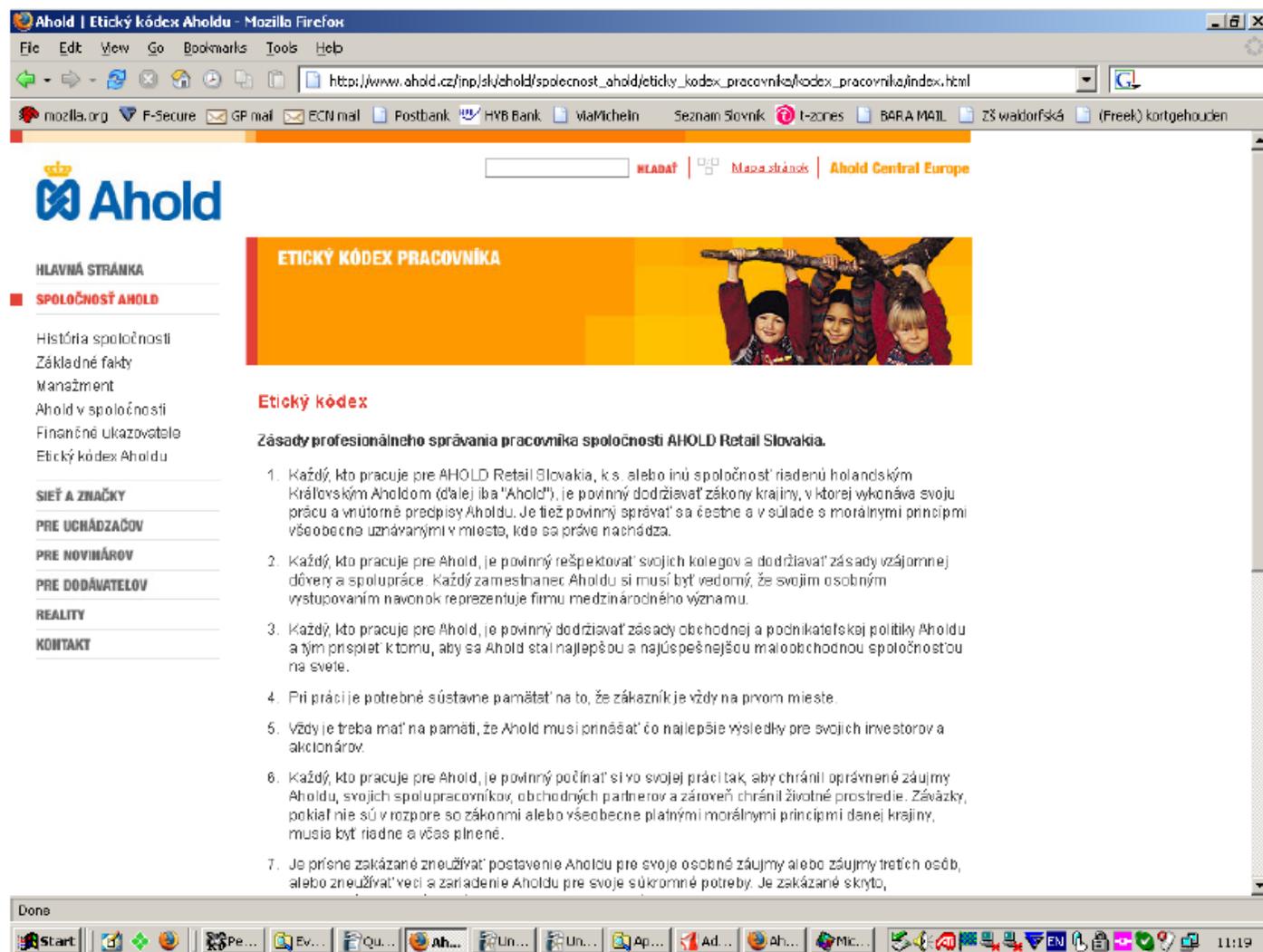
The main content area has a yellow background with the heading "ETICKÝ KODEX PRACOVNÍKA" and a photograph of three children holding a branch. Below this is the section "Etický kodex" with the sub-heading "Zásady profesionálního chování pracovníka společnosti AHOLD Czech Republic, a.s.". The text contains seven numbered points:

1. Každý, kdo pracuje pro AHOLD Czech Republic, a.s. nebo jinou společnost řízenou nizozemským Královským Aholdem (dále jen "Ahold"), je povinen dodržovat zákony země, ve které vykonává svoji práci, vnitřní předpisy Aholdu. Je také povinen chovat se čestně a v souladu s morálními principy obecně uznávanými v místě, kde se právě nachází.
2. Každý, kdo pracuje pro Ahold, je povinen respektovat své kolegy a dodržovat zásady vzájemné důvěry a spolupráce. Každý zaměstnanec Aholdu si musí být vědom, že svým osobním vstupováním navenek reprezentuje firmu mezinárodního významu.
3. Každý, kdo pracuje pro Ahold je povinen dodržovat zásady obchodní a podnikatelské politiky Aholdu, a tím přispět k tomu, aby se Ahold stal nejlepší a nejúspěšnější maloobchodní společností ve světě.
4. Při práci je třeba stále pamatovat na to, že zákazník je vždy na prvním místě.
5. Vždy je třeba mít na paměti, že Ahold musí přinášet co nejlepší výsledky pro své investory a akcionáře.
6. Každý, kdo pracuje pro Ahold, je povinen počínat si při své práci tak, aby chránil oprávněné zájmy Aholdu, svých spolupracovníků, obchodních partnerů a zároveň chránil životní prostředí. Závazky, pokud nejsou v rozporu se zákony nebo obecně uznávanými morálními principy dané země, musí být řádné a včas plněny.
7. Je přísně zakázáno zneužívat postavení v Aholdu pro své osobní zájmy nebo zájmy třetích osob, zneužívat věci a zařízení Aholdu pro svoji soukromou potřebu. Je zakázáno skrytě, prostřednictvím třetích osob, vstupovat do obchodního vztahu s Aholdem.
8. Zvláštně přísně je zakázáno zneužívat důvěrných informací získaných při práci pro Ahold k



## Appendix 2: Ethical code for employees - AHOLD SK

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The screenshot shows a Mozilla Firefox browser window displaying the Ahold website. The page title is "Ahold | Etický kódex Aholdu - Mozilla Firefox". The address bar shows the URL: "http://www.ahold.cz/inp/sk/ahold/spolocnost\_ahold/eticky\_kodex\_pracovnika/kodex\_pracovnika/index.html". The browser's toolbar includes various icons for navigation and security. The website content features the Ahold logo and a navigation menu on the left with items like "HLAVNÁ STRÁNKA", "SPOLOČNOSŤ AHOLD", "História spoločnosti", "Základné fakty", "Manažment", "Ahold v spoločnosti", "Finančné ukazovatele", and "Etický kódex Aholdu". The main content area is titled "ETICKÝ KÓDEX PRACOVNÍKA" and includes a photograph of three children holding a branch. Below the title, the text reads "Etický kódex" and "Zásady profesionálneho správania pracovníka spoločnosti AHOLD Retail Slovakia." followed by seven numbered principles.

**Etický kódex**

**Zásady profesionálneho správania pracovníka spoločnosti AHOLD Retail Slovakia.**

1. Každý, kto pracuje pre AHOLD Retail Slovakia, k.s. alebo inú spoločnosť riadenú holandským Kráľovským Aholdom (ďalej iba "Ahold"), je povinný dodržiavať zákony krajiny, v ktorej vykonáva svoju prácu a vnútorné predpisy Aholdu. Je tiež povinný správať sa čestne a v súlade s morálnymi princípmi všeobecne uznávanými v mieste, kde sa práve nachádza.
2. Každý, kto pracuje pre Ahold, je povinný rešpektovať svojich kolegov a dodržiavať zásady vzájomnej dôvery a spolupráce. Každý zamestnanec Aholdu si musí byť vedomý, že svojím osobným vystupovaním navonok reprezentuje firmu medzinárodného významu.
3. Každý, kto pracuje pre Ahold, je povinný dodržiavať zásady obchodnej a podnikateľskej politiky Aholdu a tým prispieť k tomu, aby sa Ahold stal najlepšou a najúspešnejšou maloobchodnou spoločnosťou na svete.
4. Pri práci je potrebné sústavne pamätať na to, že zákazník je vždy na prvom mieste.
5. Vždy je treba mať na pamäti, že Ahold musí prinášať čo najlepšie výsledky pre svojich investorov a akcionárov.
6. Každý, kto pracuje pre Ahold, je povinný počínať si vo svojej práci tak, aby chránil oprávnené záujmy Aholdu, svojich spolupracovníkov, obchodných partnerov a zároveň chránil životné prostredie. Závazky, pokiaľ nie sú v rozpore so zákonmi alebo všeobecne platnými morálnymi princípmi danej krajiny, musia byť riadne a včas plnené.
7. Je prísne zakázané zneužívať postavenie Aholdu pre svoje osobné záujmy alebo záujmy tretích osôb, alebo zneužívať veci a zariadenie Aholdu pre svoje súkromné potreby. Je zakázané skryto,

Ahold | Etický kodex Aholdu - Mozilla Firefox

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http://www.ahold.cz/np/cz/ahold/spolecnost\_ahold/eticky\_kodex\_pracovnika/kodex\_pracovnika/index.html

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- Je přísně zakázáno zneužívat postavení v Aholdu pro své osobní zájmy nebo zájmy třetích osob, zneužívat věci a zařízení Aholdu pro svoji soukromou potřebu. Je zakázáno s krypté, prostřednictvím třetích osob, vstupovat do obchodního vztahu s Aholdem.
- Zvláště přísně je zakázáno zneužívat důvěrných informací získaných při práci pro Ahold k podnikatelské činnosti vlastní nebo podnikatelské činnosti třetích osob. Veškeré informace, které nejsou Aholdem zveřejňovány, se považují za důvěrné.
- Zaměstnanec Aholdu může vykonávat výdělečnou činnost ve shodném nebo příbuzném oboru souvisejícím s výkonem své funkce nebo předmětem činnosti Aholdu pouze za písemného souhlasu zaměstnavatele.
- Je zakázáno ponechat si jakékoli dary či přijímat výhody od třetích osob, které jsou obchodními partnery Aholdu nebo usilují, aby se jimi staly. Pokud se dar nedá odmítnout, je zaměstnanec povinen předat jej na sekretariát CEO nebo řediteli (vedoucímu prodejny (distribučního centra) k použití pro Ahold nebo dobročinné účely. Obchodní večeře a podobná setkání nesmí překročit míru přiměřenou postavení pracovníka Aholdu a význam věci, která má být projednávána, a musí být předem písemně schváleny nadřízeným pracovníkem. Osoba, která se pokusí o korupci, musí být na nepřijatelnost takového jednání pro Ahold upozorněna a pokud to nerespektuje, musí s ní být přerušeny veškeré obchodní kontakty.
- V případě, že hrozí nebezpečí škody pro Ahold, je každý pracovník Aholdu povinen podle svých možností a schopností pokusit se takovou škodu odvrátit a pokud to není v jeho silách, je povinen na takovou skutečnost upozornit své nadřízené nebo jiné osoby, které jsou schopny takové škody zabránit nebo ji alespoň zmírnit.

Tyto zásady jsou závazné pro všechny zaměstnance Aholdu i ostatní osoby, které pro Ahold pracují, a to od okamžiku, kdy se s nimi seznámí nebo měl seznámit. Porušení těchto zásad bude považováno za porušení pracovní kázně, či zavřejněhodné jednání nebo jako jednání v rozporu s oprávněnými zájmy Aholdu.

V Nupakách dne 31.5.2002

**Peter Arne Ruzicka**      **Erik van't Hof**      **Ing. Jaroslav Ibl**  
předseda představenstva      ředitel pro lidské zdroje      místopředseda představenstva

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