

Summary

Ahold
Czech Republic

Summary based on research by:

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1. Introduction

This report is based on research into Ahold's operations in the Czech Republic, conducted between December 2004 and October 2005. It builds on the investigations that were carried out in 2003 and documented in the June 2003 Company Monitor Summary Report. The main findings of that research included:

- Irregularities in adherence to Collective Labour Agreements, to principles such as "equal pay for equal work", and access to information.
- Stores were found to be frequently understaffed, for a variety of longer term or incidental reasons. As a consequence, workers were frequently and unexpectedly called to work overtime, they would not always be granted breaks, and would not always be compensated in accordance with legal provisions.

It appears that these issues have to some extent been remedied or improved. However some disconcerting problems remain, in particular concerning overtime, overtime compensation and breaks.

All data and conclusions in this report are drawn from Ahold's public company materials and documentation, press and newspaper articles. Very useful information was provided by Ahold's Manager Compensation & Benefits for Central Europe (CE), Mrs. Ivana Dufkova, and Vice-President Human Resources CE, Mr. Eric van 't Hof. They were most co-operative and spoke on behalf of Ahold CE management. Any reference in this report to information provided by management refers to information obtained from them.

In addition, the researchers interviewed representatives of workers, local members of trade unions, trade unions leaders and the central organisation of the retail sector-focused union OSPO (*Odborový svaz pracovníků obchodu*, or "Trade Union of Workers in Commerce"). Further interviews were conducted with non-governmental organisations that are focusing on raising awareness on labour rights.

With the exception of the head of OSPO, members of trade unions and workers representatives requested anonymity. The possibility of talking to other members of the management was left open in case Mr. van 't Hof or Mrs. Dufkova would not be able to provide the requested information. This did not appear necessary.

In May 2006, after the research had been concluded, Ahold provided a reaction to the report which illustrated recent positive developments. These included adjustments in wages to prevent that associates with standard performance could receive lower salaries than newcomers, and the updating of the company's web pages in Czech and Slovak with the new Code of Conduct. Ahold Central Europe emphasises that it strives to be perceived as a good and fair employer in all three countries where it operates, which are the Czech Republic, Slovakia and Poland.

2. Ahold in the Czech Republic

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 first started its operations in the Czech Republic (CZ) in 1991. It currently runs 184 supermarkets under the name "Albert" (formerly "Sesam", "Mana" and "Prima") and 50 hypermarkets under the name "Hypernova." The hypermarkets are larger, ranging from 3,000 to 10,000 square meters per store and offering up to 60,000 different products. Ahold is currently the largest retailer in CZ. It employs about 13,000 people in its stores, offices and two distribution centres and is the seventh largest employer in CZ.

The 'Road to Recovery' programme

In November 2003, in the wake of its massive accounting problems, Ahold announced a new financing plan and strategy: the Road to Recovery Programme (RRP). One of the four key areas of this strategy pertained to a reorganisation of Ahold's food retail business with a focus on the supermarket format. Also, as part of this strategy, back-office functions were centralised and national food retail businesses were merged into regional business units called 'arenas.'

Ahold's operations in Poland, Czech Republic and Slovakia were unified in a new entity: Ahold Central Europe (CE). This supranational business entity is based in Prague and co-ordinates the operations of Ahold CZ, Ahold Polska and Ahold Retail Slovakia. Ahold CE is responsible for functions such as sourcing, marketing and formats, human resources, administration, management, information technologies, and systems. Two other RRP restructuring measures were the closure of a distribution centre in Přeborn (CZ) in early 2005 and the transfer of Ahold's accounting function from Brno (CZ) to Poland in August 2005. Ahold's 2004 Annual Report claims that these restructuring measures reduced the operating expenses and improved margins.

Since this restructuring, Ahold only presents the aggregated arena figures and the figures for the individual countries are no longer available. However according to management, the 2004 Czech returns exceeded all previous years'. The Albert-division profits rose by 15% and those of the Hypernova-division by an impressive 50%. The total 2004 gross profit amounted to approximately 1 billion CZK (= €30 million).

The table below shows an overview of Ahold's growth in the Czech Republic from 2000 to 2002 and the development in the CE Arena in 2003 and 2004.

Ahold Czech Republic

	2000	2001	2002
Overall turnover in millions of CZK (VAT excluded)	23,460	29,600	920*
Number of stores	186	203	212
Number of employees	10,000	13,000	12,500

* in millions of EUR (VAT excluded)

Source: Ahold Czech Republic website

Ahold Central Europe Arena

	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

Central Europe Arena Results

	2004		2003		2002
	(12 months)	Change (%)	(12 months)	Change (%)	(12 months)
Net sales in EUR (mln)	1,683	6.0	1,587	1.5	1,563
Company-operated stores	442		427		409
New stores	25		25		42
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's 2004 Annual Report.

According to Ahold's 2004 Annual Report, the net sales increase in 2003 and 2004 was primarily attributable to new store openings, and occurred despite deflation and the increased competition from "price fighting" retailers such as Lidl, Kaufland and PennyMarkets. The 2004 sales increase is attributed to a more aggressive marketing strategy, the improved products' assortment and the expansion in the number of so-called private label products, which are owned by Ahold.

Management stated that Ahold CE will continue to increase the number of supermarkets and hypermarkets in the CE arena and seeks to improve competitiveness through its pricing policy

and by adapting its products' assortment. At the same time, Ahold intends to divest of its Polish hypermarkets. This might affect the arena's net sales growth negatively, but this loss will be partially offset by new store openings.

Ahold maintains a policy of developing local production whenever possible. Since the regional restructuring, "local" refers to countries within the CE arena. In this respect, the recent accession of Slovakia, Poland and CZ to the EU and the consequent elimination of trade barriers significantly facilitated the movement of goods between these three countries. Ahold claims to use domestic suppliers for 80-85% of its products.

On 30 September 2005, Ahold acquired the Julius Meinl chain in the Czech Republic. This take-over pertained to 56 supermarkets and 1500 employees.

Employment and employment trends

As mentioned, Ahold is among the ten largest employers in CZ with a total of 13,000 employees, as of end-2005. The table above shows that this is approximately equal to 2001. Employment figures per divisions are not publicly available. The latest acquisition of Julius Meinl Supermarkets will have added 1500 employees.

Although the exact gender balance in the management of Ahold is not publicly known, the trade unions, workers, and visits to supermarkets give the impression that the majority of the workforce is made of women who mostly work in the stores and in administration. Union representatives also reported that the majority of managers are men.

The management claims that 51% of the store managers are women. Approximately 28% of the area managers – a job that involves travel – are female. In the Central Europe management group, only one out of seven managers is female. There are no women in the management of Ahold CZ.

As an effect of the restructuring, an increasing number of Slovaks come to work in Ahold CZ operations. According to management, these workers are hired on a temporary basis via a Slovak employment agency. It should be noted that the living standards in Slovakia are lower than in CZ, which suggests that Slovaks would be satisfied with lower wages.

Ahold aims to reduce its dependency on employment agencies, and to get as much benefit as possible from its investments in training and development of personnel. Moreover, it introduced store management software to facilitate shift planning well in advance.

Employee retention has been a problem within Ahold. Some sources indicate up to 90% of "employee wastage" in some business areas, for all possible reasons. Ahold implements an employee retention programme. For this purpose, a few years ago Ahold conducted a survey among its employees to gain a better understanding of why employees might decide to leave the

company. Through the retention programme, the company aims to better inform, engage and motivate new employees. They are provided with training to help build their experience and knowledge and the company organises social “employment community activities,” such as a company football competition. The programme also includes the establishment of “centres of excellence and training” that provide training for middle management.

Company management and relations with the corporation

Ahold’s global Corporate Management, based in the Netherlands, plays a major role in the design and co-ordination of strategies. In particular, since the 2003 accounting problems, Corporate Management exerts a stronger influence on the regional arena and national management, mainly with respect to financial and accountancy issues. Business plans are largely designed at a corporate level, but worked out in detail within the respective arenas.

Ahold recently adopted a comprehensive and global Code of Professional Conduct and Ethics. It mainly pertains to financial and accounting safeguards, but also addresses issues related to Corporate Social Responsibility (CSR). Ahold’s new Code of Conduct is further described below.

The management explained that Ahold’s corporate strategy aims to uphold high standards for the protection of labour rights and product quality, even in the face of sharp competition. However, this is not always easy, since consumers tend to be more concerned with prices rather than labour standards (which, it is suggested, are less strictly upheld by price-fighting retailers). It believes that Ahold’s corporate standards provide important support in helping to uphold local standards.

Corporate Management also imposes product quality standards.

Relevant aspects of Corporate Social Responsibility

In the wake of the scandal, Ahold adopted the RRP that focused on financial recovery rather than on CSR performance beyond financial integrity. In October 2004, Ahold reached a settlement with the American Securities and Exchange Commission (SEC) on the accounting scandal. As part of this settlement, Ahold was required to adopt a comprehensive integrity code. Therefore on 1 March 2005 it adopted the “Ahold Global Code of Professional Conduct and Ethics” (hereafter also referred to as “the new Code of Conduct”).

The new Code specifically refers to the standards of local laws, international law, and the so-called core conventions of the International Labour Organisations (ILO). It mentions the ILO standards on freedom of association, the prevention of forced and child labour, non-discrimination and equal remuneration for equal work. The new Code of Conduct is more extensive than its predecessor that was adopted in 2002. The new code refers to employees as “associates”. Since this concept does not translate well into Czech language, Ahold CZ documentation still uses the word “employee” (*zaměstnanec*). The management is trying to

introduce the word “colleague” (*kolega*) as an alternative, although this notion does not fully reflect the meaning of associate.

The translation of the full code into Czech, Polish and Slovak was made available in September of 2005 – six months after it was adopted. As of end 2005, only the Czech Ahold website features a summary version of the new Code of Conduct. Confusingly, the website still also featured the short 11-point version of the former 2002 Code. The Polish and Slovak website only featured the outdated summary of the old code. The corporate management of Ahold responded that the PR department of Ahold Central Europe would adjust the web pages still featuring the old Code of Conduct. By May 2006, the webpages in Czech and Slovak have been updated and the Polish website will be updated in June.

The management claims to view the implementation of the new Code of Conduct as a serious issue. Training on the code is organised for store managers and a summary version is being developed for all employees. The Corporate Training Development Programme organised an e-learning and e-examination programme to introduce the new Code of Conduct. Managers above a certain level are required to pass a test.

The Fair Play Line

The new Code introduced a whistle-blower procedure. Within the CE Arena it is referred to as the “Fair Play line.”¹ This procedure enables employees to file complaints, by phone and anonymously if the complainant prefers so. The procedure is hosted by Global Compliance Service, an independent US-based company. One of the reasons for using an external company was to better ensure anonymity for the complainants. Global Compliance Service records the complaint, makes a preliminary assessment and, subsequently, forwards the complaint to a regional or local compliance officer within the relevant Ahold office (in this case that would be the Ahold CE office in Prague). The complainant can track the progress in the handling of his or her complaint. This should not take longer than 14 days.

Information about the Fair Play line is widely spread throughout the organisation. Employees received a brochure with their salary slips. Several complaints have already been lodged. According to management, all complaints pertained to minor issues or were the consequence of miscommunication, and all were dealt with within the prescribed 14 days.

However, trade union representatives mentioned at least one case in which an employee was under the impression that her complaint was not being followed up. Another report related to a complaint filed with the Fair Play Line by a store manager who was threatened to be dismissed after his recovery from a serious accident. He had been unable to work for several months and was asked to leave upon his return. This would constitute a violation of the Labour Code, which protects the employee’s right to come back to work in the same position after medical treatment.

¹ The Fair Play system has its own website on: <https://www.aholdfairplay.cz/>.

Despite several calls, the store manager was unable to get information on how and whether his case was being handled. He ultimately agreed to leave the company with a compensation of two months salary, although the Labour Code provides for 5 monthly salaries compensation if the company proposes the employee's departure. Recently an employee reported another case where the Fair Play line did not function anonymously, and described the complaint process as long and complicated.

Monitoring implementation of the new Code

Within Ahold CE, the implementation of CSR policy is considered a shared responsibility of each department. Store and floor management have a special role in the implementation of the new Code and are specifically trained for that purpose. In addition, the "Fair Play Line" procedure provides for compliance officers at a national and regional level, whose task it is to follow up on incoming complaints. These Compliance Officers are the company's Human Resources specialists. There are three specialist CSR positions at the Ahold Corporate level, based in the Netherlands: Corporate Sustainability, Programme Director Health, and Health Programme Director for Europe. In addition, Ahold engaged the Hong Kong based company Li & Fung to monitor Code compliance in the supply chain for non-food articles from the Far East.

The only platform for engagement and discussion with employees on CSR issues mentioned by the Czech management are meetings with union representatives. These include the regular Collective Labour Agreement talks and meetings with a larger group of trade union representatives that happen three or four times a year. However, the management seemed displeased about the fact that the focus of these meetings is often on individual or specific concerns rather than broader CSR policies.

Ahold CE is also involved in charity initiatives. However it considers these projects as part of its Public Relations.

3. Labour relations

National law and union tradition

The Czech Republic ratified both ILO conventions on Freedom of Association and Collective Bargaining (nr. 87 and 98) and translated in national legislation. Collective bargaining is regulated by the Collective Bargaining Act of 1991.

The Czech-Moravian Confederation of Trade Unions (*Českomoravská konfederace odborových svazů*, ČMKOS) associates 34 unions. ČMKOS co-ordinates these unions' activities and represents workers' common rights and interests in so-called tripartite negotiations. The Czech Labour Code gives ČMKOS the right to comment on all the draft pieces of legislation concerning

labour issues, in particular workers' rights and labour conditions. ČMKOS maintains *Regional Councils of Trade Unions* and *Regional Offices for Legal Assistance*.

In general, trade unions' membership is continuously decreasing. While the aggregated union membership in 1991 amounted to 4.4 million, today it is less than 850,000. ČMKOS explains this decrease in memberships with a reference to the on-going privatisation in all sectors of economy and the disintegration of large companies.

In addition, it might be important to note that unions played an important role in communist propaganda and during the time of state socialism. The unions were significantly reformed and the leadership was replaced; however some unions still benefit from the financial means inherited from their pre-1989 predecessors. Among many people, distrust towards the union persists. In reality, each union's integrity and flexibility greatly varies.

Sections 25d to 25l of the Czech Labour Code provide that employees of large multinational employers are to be informed about and to be consulted on significant issues. The process of information accessibility and consultation has to be negotiated between the management and the employees. Large companies that qualify under the "European Works Council Directive" (EWC Directive) are obliged to facilitate the establishment of an EWC.² Ahold is in the process of establishing an EWC.

Active unions within the company

There are 14, mostly local, unions active in the different Ahold operations. All of these are associated in the Trade Union of Workers in Commerce (*Odborový svaz pracovníků obchodu*, OSPO). OSPO is, in turn, associated with ČMKOS.

OSPO co-ordinates the local unions' activities and provides them with support and information. Three local union's leaders are elected to represent the unions in the collective bargaining process, which are conducted by OSPO. Local unions contribute 30% of the membership fees to OSPO.

Only 10% of Ahold's employees are union members. Besides the aforementioned general distrust that exists in the Czech Republic towards unions, this may also be attributed to the high 'turn-over' of employees in the retail sector. Another reason may be that prevailing gender stereotypes in the Czech Republic still hamper women's equal access to time and opportunities to organise, and 80% of the retail workers are female. This is illustrated by the statement of one of the local union's leaders, who believed that the failing bargaining process should be attributed to the fact that most Ahold employees are female, implying that women are less capable in conducting negotiations than men would be.

² The criteria for qualification include the requirement that the company must employ more than 1,000 employees within the EU and more than 150 employees in each of two member states. For an elaboration on the establishment process, see for instance: <http://www.fedee.com/ewc1.html>.

It appears that the low organisation grade of employees is problematic; it hampers the communication between the workers, union leadership and management and, as a consequence, labour concerns can more easily go unnoticed. At the same time, the trade unions do not seem inclined to actively recruit new members.

Ahold's new Code confirms the rights to freedom of association. However a number of cases were reported about union members who were discriminated, intimidated, dismissed or degraded due to their union membership, and about local managers who actively discouraged union activity. Moreover, store managers often show little flexibility to union members that wish to attend meetings and appear at times to intentionally obstruct the contact between local union leaders and their constituency. Typically, these cases do not reach Ahold's top management. Moreover, it is often difficult to proof these practices. For this reason, it would also be difficult to bring them to court.

Workers appear hesitant to communicate labour concerns via the trade unions. Local trade union members explained that they are afraid to get fired and that "socialist" fear from institutions still prevails. One local union leader named this the main obstacle in her union work: her co-workers are mostly interested in the unions and eager to provide information about working conditions, but always insist on remaining anonymous.

The management believes that Czech trade unions are beginning to resemble their Western European counterparts, acting like partners rather than just "trouble-makers". The management also perceives OSPO as more "professional" than local union representatives, who often focus on single issues.

As mentioned, Ahold is in the process of establishing an EWC. OSPO will co-ordinate the election of the Czech representatives to the EWC before the end of 2006.

Collective bargaining

Although, as mentioned, OSPO only represents 10% of Ahold's employees, it did negotiate the Collective Labour Agreement (CLA), which applies to all workers. CLA meetings are scheduled three or four times a year. The current CLA was concluded on July 1, 2004 and is valid until December 31, 2007.

Workers and unions commented that they think the 4 year period between CLA negotiations is too long and does not allow for effective bargaining on working conditions. Union members reported that, since 2002, they repeatedly demanded that the company contribute to the employees' retirement insurance (*penzijní připojištění*). This is a common benefit provided by the larger Czech employers. The management has responded "receptively" to this request but so far failed to act on it.

Access to information

As a general practice Ahold only communicates and deals with OSPO, and does not directly liaise with the local union's leaders. At this level, access to information is not a problem.

However, local leaders have reported their discontent with the fact that they are dependent on OSPO for their communications with Ahold, and that the company does not pro-actively, directly and on an ongoing basis share information. Moreover, the unions feel that Ahold generally provides as little information as possible.

Other sections of this report also indicate failings in the union's access to information. As described below, unions indicated that, so far, they have not been properly informed about the scale or system that is used to determine wages. However in the aforementioned cases of the close-down of the accounting centre in Brno and the distribution centre in Příbram, the unions were timely and adequately informed and engaged.

Moreover, information sharing between store managers and union members also seems problematic at times. Reports were received of store managers who do not provide the employees (including the trade union members) access to the text of the CLA, and in some cases employees were not provided with the Fair Play Line brochure.

Labour conflicts

A labour conflict at an Ahold store in Breclav recently received a lot of media attention. Employees filed a complaint to the local Labour Office, which is in charge of monitoring enforcement of the Labour Code. The complaint concerned improper payment of worked hours and overtime, the fact that breaks were hardly granted and prevailing gender discrimination. The Labour Office found multiple violations of the Labour Law and proposed a penalty of approximately EUR 8,300.

The store manager in question fired a number of employees and union members, despite OSPO's efforts to intervene. Ahold rejected the Labour Office's findings and requested the Ministry of Labour and Social Affairs to re-investigate the case. In an interview, the management maintained that the complaints were not based on facts and that this was evidenced by the good profitability of the store. It believes that the complaints were exaggerated in the media hype around this case.

Reports were also received about a complaint lodged to the National Ombudsman by a group of female store workers. Their complaint related to poor working conditions, long working hours, few breaks and overtime hours that were not remunerated and not announced ahead of time. Unfortunately, it was not possible to check whether this complaint was followed up. The management claimed not to know about this case.

Union representatives also expressed their discontent about a new “productivity increase programme” called IMPAC. The management explained that IMPAC aims to improve productivity by simplifying and standardising working procedures. However some union representatives called it a costly, bureaucratic additional burden and a control tool for the employees. Workers complained that the IMPAC programme takes a lot of their time; it imposes additional reporting requirements based on indicators that they find unclear. The employees claimed that the rationale has not been explained to them and that they did not receive feed back on their reports.

Workers referred to a survey that was conducted as part of IMPAC in 2004. Allegedly, the results were alarming: 11 thousand of the 27 thousands questionnaires were returned and showed that most employees face serious problems in their work, and in the relation with their managers and co-workers. The survey was conducted once more, but this time the workers had to state their names. Workers believe that fear of retaliation heavily affected the outcome.

AHOLD’s management denies that IMPAC has any general negative effects and attributes the negative reports to the individual interviewees. It did not touch on the above mentioned surveys.

4. Labour conditions

On July 1, 2005, the Labour Inspection Code came into force and established Labour Inspection Offices in all eight districts of the Czech Republic, under the supervision of a State Office for Labour Inspection. These Labour Inspection Offices monitor the implementation of labour regulations, working conditions and relations. This task was previously carried out by District Labour Offices, which have much broader tasks, such as registration of job seekers and administration of work permits.

The Labour Inspection Offices are authorised to look into a broad range of issues, including working conditions, working hours, remuneration, trade union relations, equal treatment, etc. Individual employers can file complaints with the Inspection Offices, which can subsequently decide to investigate the alleged violation and, if necessary, to penalise employers with fines ranging from CZK 100,000 (approximately EURO 3,300) to CZK 2,000,000 (approximately EURO 66,000) in cases of a violations of labour regulations.

The Inspection is focused on the reported violation of the labour code. Conflicts that arise out of an employment contract must be brought to court. In this respect the Labour Code states that employers may not obstruct an employee who seeks to legally enforce his/her rights and provides protection against dismissal.

Child labour

The Czech Republic ratified the ILO conventions 138 (minimum age) and 182 (on worst forms of child labour). The Labour Code prohibits labour for wage or salary for children younger than 15 years of age.

Company practice:

Ahold's Code of Conduct specifically prohibits the use of child labour. The issue is not mentioned in the CLA. It appears that child labour does not occur in Ahold's operations.

Forced labour

The Czech Republic ratified the ILO Conventions 29 and 105 on forced labour. Forced labour is explicitly prohibited in the Labour Code.

Company practice:

Ahold's Code of Conduct specifically prohibits forced labour. The issue is not specifically mentioned in the CLA. There are no reports of any practice that can be understood as forced labour.

Union' representatives and workers did report bad practices in terms of working hours, compulsory or semi-compulsory and at times uncompensated overtime and work assignments that could not readily be matched with the job description.

Discrimination

The Czech Republic ratified ILO Conventions 100 (on equal remuneration) and 111 (discrimination).

According to national law, employers are obliged to ensure equal treatment for all employees with respect to their working conditions, including remuneration, professional development and opportunities. Discrimination is prohibited, whether direct or indirect, 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 also includes conduct such as inciting, soliciting or exerting pressure that could lead to discrimination. Harassment based on sex, sexual distinction, racial or ethnic origins, physical disability, age, religion or faith and sexual harassment also constitutes discrimination.

Company practice:

Ahold's Code of Conduct specifically refers to the principle of non-discrimination. The CLA provides that in the event discrimination should occur, the employer and the trade unions will immediately and effectively co-operate to solve the problem.

A 2003 training programme for regional HR Managers focused specifically on discrimination. This programme also included training on labour issues at a store level. Moreover, Ahold recently introduced the "Score Card"; a tool to allow a comparison of the company's performance on HR issues in different arenas. The management claims that the Score Card revealed that middle management is increasingly more sensitive to labour issues and the provisions of the Labour Code. This would also be demonstrated by the satisfactory reports of the labour inspections.

Workers and unionists report that discrimination does happen, in particular on the basis of sex and union membership.

In addition, workers and unionists report that the principle of "equal pay for equal work" is largely being ignored. Even within one store, wages for the same kind of work might differ for no apparent reason. New employees, in particular seasonal workers or workers contracted via an agency, often receive higher wages than other employees, even though they are unqualified and have no experience. It is common practice that a woman with experience earns less than a young student.

In response, store managers and HR departments have claimed that they have to offer higher pay to attract new employees. The issue of wage discrimination was brought up repeatedly with the management, both by individual workers and the unions.

The management explained that Ahold determines salaries and wages on the basis of a clear wage structure. There are fixed wages for different positions, with a variable added percentage for task performance and education. Moreover, a limited survey conducted by Ahold CZ found that there is little difference in pay amongst sector managers.

Furthermore, the management maintains that since a good majority of employees is female, there is little reason to differentiate in pay on the basis of gender. With over 50% of store management positions filled by women, Ahold claims to do better than other companies.

The Unions noted that they have not been able to obtain information about this scale or system that is used to determine wages, despite repeated requests and although the CLA gives unions the right to such information.

In the Czech Republic, discrimination on the basis of ethnicity is a matter of general concern. There have been media reports about Romanies being discriminated in hiring practices or underpaid in their employment. However, the management does not believe this issue concerns Ahold stores.

Wages and bonuses

The Czech Republic ratified ILO conventions no. 26, 95 and 99 on wages. National legislation provides that an employee is entitled to his wage and a premium or bonus payment of at least 25% of average earnings for overtime work. Furthermore, in addition to his or her regular wage, an employee is entitled to (paid) time off for each hour worked on a public holiday. The employee and his employer may agree that the employee receives an extra bonus for work on a public holiday instead of time off. This bonus should at least be 100% of his average earnings. The law does not prescribe a mandatory bonus payment for work on Saturdays and Sundays.

Minimum wages are set by Government Decree. The Act on Wages provides for minimum salary tariffs, based on the specification of salary groups based, in turn, on job requirements. As of January 1, 2005, the general minimum wage is CZK42,50 per hour (approx. €1.43) for regular working hours and CZK7,185 per month (approx. €241,51).³

The Labour Code stipulates that trade unions have the right to be informed in particular with regards to the development of wages, and that unions have the responsibility to monitor observance of the Labour Code and other labour regulations.

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

Company practice

The management claims that it has little space for higher wages since the profit margins are low. However, it maintains that Ahold's wages are similar to those paid by the competitors and slightly better than the salaries paid by the German price fighting chains. Therefore Ahold tries to bind employees with a variety of secondary benefits. Amongst these are schemes to upgrade the function of cashier by the introduction of a state recognised diploma, the introduction of "centres of excellence and training" and social initiatives.

By contrast, the unions and workers interviewed are generally not satisfied with the wages. One problem reported by both workers and the union is that, at times, the company fails to pay all worked hours. Moreover, they claim that their benefits are less attractive than those offered in other retail chains. It was mentioned that for example Penny Market provided the so called 13th salary, while no bonuses were paid out at the store in question. The manager of this store had claimed that the employees had not met the productivity criteria.

The company recently introduced a lunch voucher programme (a traditional secondary benefit in the Czech Republic) and paid leave benefits: employees get one extra day of leave per year for

³ More information about the regulations can be found on the Ministry of Labour and Social Affairs' website (<http://www.mpsv.cz>).

each year worked for Ahold, to a maximum of five days per year. Some workers considered the value of the lunch and groceries' vouchers too low.

As mentioned, Ahold is working to develop a pension and a health insurance scheme – an issue that the unions have been negotiating for more than two years now, and that constitutes a benefit that is considered standard in most retail companies. The management explained that both these programmes are delayed by the fact that the CZ government is currently reviewing pension and health reforms. Ahold is reluctant to invest in schemes that will or may need to be changed shortly. The management expressed its frustration about these delays and is worried about the effect this might have on its employees' retention goals.

Working hours

The Czech Republic ratified ILO Conventions 30 and 14 on Working Hours and Weekly Rest. The Labour Code provides that weekly working hours may not exceed 40 hours. Employees are entitled to a 30 minute break, at least after six hours of uninterrupted work. Stricter rules apply in specific cases and for young workers.

The two major working hours related issues presented by the unions were overtime work in understaffed stores and the absence of a “dual-shift regime”, as described below.

As for overtime, numerous workers reported that, at times, they worked for multiple weeks on end without one day off. Moreover, “product managers” in the stores mostly don't manage to finish their work during regular working hours. As a consequence, they work longer but do not request compensation in order not to make a bad impression. The management reportedly does not respond positively to workers' request for more employees to do the work.

Many reports flagged failings in shift planning. It happens that workers are called to work, even though they were not assigned to work that particular shift; this happens especially at busy times. As mentioned below, these extra hours are not always properly compensated. Furthermore, workers may have to forego their breaks if there is not enough staff.

It is important to note that these problems related to understaffed stores, the practice that workers are frequently and unexpectedly called to work overtime and are not always granted their breaks, were also among the main issues flagged in the 2003 Company Monitor research.

Workers and unions reported that the company, in fact, runs a so-called “two-shift pattern of work”, as defined by the Labour Code. This means that employees rotate in two shifts per 24 hour period. The Code provides that the maximum weekly working time of employees who work a two-shift pattern is 38.75 hours. This maximum is not observed in Ahold stores.

Workers brought this issue to the attention of the Labour Office, which concluded that the company should obey the legal consequences of the two-shift pattern of work. So far, Ahold did

not take any action to adhere to this judgement. Neither was the complainant informed of any action taken.

5. Reorganisations

The creation of the Central European “Arena” and Ahold CE as of January 1, 2003 constituted the most important restructuring exercise implemented over the last five years, and was one of the main steps of the aforementioned Road to Recovery Programme (RRP). As described, Ahold CE took over a number of core functions from Ahold SK, Ahold CZ and Ahold PL. The RRP also included the divestment of 13 hypermarkets in Poland at the beginning of this year. In the Czech Republic, Ahold acquired 56 Julius Meinl stores and moved its accounting function from Brno, CZ, to Poland. This process caused the dismissal of all 67 accountants. However, it was lawfully conducted with the engagement of the unions, and the employees received adequate compensation.

The aforementioned closure of the Příbram distribution centre, a decision that reportedly did not follow from the RRP, caused the dismissal of 60 people. All of them were offered to work in Ahold’s other distribution centres and stores nearby, and there was an outplacement programme in place. Ten employees accepted another job, the others received a severance payment which was reportedly well above legal standard.

The Julius Meinl chain acquisition in September of this year involved 1,500 employees. The take-over of personnel was regulated in a collective labour agreement with OSPO.

6. Other CSR issues

The environment and hygiene

Within the framework of this research, Ahold’s environmental record was not investigated in great depth. It should however be noted that Ahold’s former and new Code of Conduct present the environment as an important matter. Ahold CE is however not mentioned in the environmental chapter of the 2004 sustainability report. An overview of energy use, waste production, recycling and organic products used within this arena appears not to be publicly available.

According to the management and company documentation, all short-term expiration goods are liquidated at the end of each day. However in the summer and early autumn of 2005, several Albert and Hypernova outlets were heavily penalised for selling outdated and moulded products, and for the presence of mice in the stores. Ahold management held the local shop management responsible and promised fast structural remedies.

7. Conditions in the supply chain

This research did not specifically research Ahold's supply chain, and only marginally assessed how CSR-related supply chain issues are handled.

It appears that Ahold's interest in supply chain contractors mainly focuses on product quality and food safety. In addition, both the former and the new Code of Conduct stipulate:

*"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."*⁴

The management stated that Ahold requires its suppliers to contractually commit to CSR provisions. Furthermore, local suppliers are screened and monitored by quality specialists both before and regularly after Ahold enters into a contractual relation with them. This monitoring focuses on product quality and pays little attention to CSR issues. For non-food products imported from outside the region, quality and CSR issues are monitored by Li & Fung.

8. Conclusions

Ahold aims to be an attractive employer and good corporate citizen in the Czech Republic. Its Code of Professional Conduct and Ethics often exceeds the standards offered in national legislation, as well as those applied by its competitors. The company appears willing to engage in dialogue with the trade unions and receptive to their proposals to address labour issues. However despite this positive overall impression, this research found a number of significant irregularities.

Transparency

From the outset, it may be noted that the "merger" of the formerly independent Ahold PL, SK and CZ into Ahold CE, led to significantly diminished transparency. Information on the company's performance in the different countries is no longer published. Publication of national figures would help to better understand Ahold's economic and CSR performance, in particular on issues such as labour relations and the company's contribution to the local economy.

Working hours, Wages and Benefits

The findings of this research concerning working hours, overtime, wages and benefits largely overlap with the irregularities flagged in the 2003 research. As described below, problems that persist and deserve particular attention include:

- observance of the legal maximum of weekly working hours;

⁴ AHOLD (2005), Ahold Global Code of Professional Conduct and Ethics; page 31. See: <http://www.ahold.com/index.asp?id=927>

- appropriate compensation for all hours worked;
- appropriate compensation in particular for overtime hours;
- improved implementation procedures to inform the workers of shift changes and irregular working hours;
- prevention of stark differences in payment between new and older employees.

Furthermore, the fact that Ahold still does not provide any health or pension scheme to its employees does not fit with its proclaimed ambition to be an attractive employer. Moreover, in this respect the company falls completely behind its competitors in the Czech Republic.

Relations with the trade unions

There were several reported incidents where (lower) management appeared to have discriminated against employees because of their union activities with dismissal and job or wage degradation. It was difficult to adequately look into these cases, since these cases tend to be covered with arguments relating to the employees' poor performance. It appears advisable for Ahold to devote particular attention to such cases.

As mentioned, it is noteworthy that the trade unions and OSPO are the company's sole bargaining partners for the Collective Labour Agreement (CLA), although only 10% of Ahold's work force are union members. This raises questions regarding the union's mandate to represent all of Ahold's workers and highlights an issue of legitimacy regarding the outcome of CLA and other negotiations. Moreover, it might be presumed that this implies a sub-optimal mechanism to expose labour concerns in a timely manner.

There is a striking absence of any intention on the side of the Unions to more actively recruit new members. However, on the other hand, the absence of an explicit commitment on the side of Ahold to actively promote freedom of association and the right to organise among its employees also represents a missed opportunity. It is advisable that both the unions and the company devote serious attention to this issue and deliberate on effective measures to help increase union membership. This would certainly help to address most concerns presented in this report.

Gender balance

It is commendable that Ahold employs a majority of women, but the gender balance in higher management position still appears skewed. General Czech statistics show that women frequently run into a "glass ceiling" in their career development. For this reason, it is recommended that Ahold particularly monitors gender developments in its Czech work force.

Shortcomings in the Code of Professional Conduct and Ethics

The introduction of a whistle-blower and complaint system in the form of the Fair Play line is a commendable measure. However, several workers mentioned concerns over what will happen and the conflict of interests that might arise when the handling of complaints is referred to the Human Resources Department – the department that is also responsible for hiring and firing employees. It appears advisable for the company to shift the responsibility for handling the Fair

Play line complaints to an official or institution that is independent from HR, and preferably also outside the company's structure of command.

Furthermore, the new code of conduct appears less specific than the former on the commitment that Ahold expects from its suppliers to the principles in the code of conduct. Additional research would be required to assess in more detail how Ahold monitors this compliance.