

# Earnings Disparities in the Czech Republic: The History of Equalisation\*

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**Abstract:** Statistical and sociological surveys are used to show the long-term development in earnings disparities. A considerable equalisation in wages occurred in three phases: the first one occurred during the Nazi occupation, then in the 1945-1948 period and finally after the post-Communist victory. The Communist 'rewarding' system was characterised by the predominance of demographic factors, the decline of secondary and especially tertiary education and the priority given to productive branches. After 1989, the general "needs" principle is being replaced, however hesitantly, by the "market" principle. Increasing returns to tertiary education were observed, the gap between gender somehow attenuated and the age profile of earnings became flatter. Market adjustment is uneven between sectors of ownership and branches of industry and moreover there exists a backlash primarily in the professional public services.

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Income distribution probably indicates best long-term trends and the inspection of basic changes in social stratification. Although it is not often used as such (unlike educational and occupational mobility), there are several reasons for this choice. Firstly, it is because income data are relatively easily available through statistical surveys. Secondly, because the income data are relatively easily comparable over time and across countries. And thirdly, because due to the double utility of income (its material and status values), income can be considered as the "hard core" of an individual's or a family's social position and, then, the distribution of income can be regarded as the key breakdown of society.

Each of these points can however be challenged. The availability of income data differs according to each country, given the continuity of its history and consequently the economists' and statisticians' concern with provision, analysis, publication and protection of data. Comparability of income data is limited in both the cross-national and temporal aspects due to the variety of income indicators, type of survey and population covered. Whether the economic history exists as a functioning discipline or not, it is of utmost importance. Finally, according to each society, the monetary income can always be disputed as an indicator of households' economic position (the role of income in kind) and, even more, an indicator of the social status of people and families (the role of power).

In this article, I focus on earnings only. First I show the available statistics to summarise the most important long-term tendencies in the distribution of earnings. Then

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I concentrate on the specific rewarding systems under the Communist regime and their endurance. Using the after-1989 sociological surveys, I later show the recent changes in earnings disparities and structures. The basic ambition is to outline an overall picture of earnings distribution which would contribute to expose the functioning of the new regime. Here, we should have in mind all far-reaching economic, social and political effects of income distribution, contrasting with its – so far – almost neglected place in the economic and sociological research.

### Historical roots of equalisation

Unlike some Western countries where some key income distribution indicators were kept for over one century, like the U.K. [Routh 1980], or other countries where a systematic research allowed to reconstruct a long history of income inequality, like the USA [Williamson and Lindert 1980], the Czech “written history” of income distribution begins in the Communist period. Whereas income statistics start in the late 1950s, some modest analysis of income structures start in the late 1960s and the overall critical evaluation of the role of inequality is still expected. Although the historical information is better in Czechoslovakia than in the Balkan and Eastern European countries, we can gather only fragments of its pre-war history.

Actually, no income survey has been conducted in pre-war Czechoslovakia; family expenditures which are available in tables, were collected from small and non-representative samples. The only usable source of information about earnings by bounds is the social insurance testimony. According to the insured daily wages of manual workers (in the Central Social Insurance Company) and insured yearly salaries of private employees (in the General Pension Office), we estimated earnings differentials using the data of 1929 (3 mil. of insured persons) and in 1936 (2.2 mil.). Although these two groups do not include all workers, the data provides us with a rough picture of income inequality: the decile ratio in the pre-recession (1929) period was about 6 and in the post-recession period (1936) about 7.

Such figures rank pre-war Czechoslovakia among the family of similarly developed Western countries such as Germany, France or the UK. In those countries, the range of earnings inequality was probably even somewhat higher, as the early 1950s data witness [*Incomes...* 1967]. However, Czechoslovakia was not an extremely equalised country at all, despite some historically enrooted specificities. Those can be summarised as a social-democratic profile of the – especially – Czech nation, reborn in the 19th century from plebeian roots, not having large nobility and never producing a numerous grande-bourgeoisie of its own.

Social cohesion of the Czech society was given to the absence of extreme poverty existing at the time in Poland, Hungary and also Slovakia. Despite quite considerable disparities in earnings, the final inequality in consumption was less striking, showing the ratio 1 : 3.5 between unskilled workers and higher professionals [*Rodinné...* 1932]. In the inter-war period, the middle classes were certainly the most important social category (35% of the population in 1930) and served as an integrative amalgam of the society. In the late 1930s, the Czech society was characterised, with an exaggeration typical of the period (resumed later in Geiger 1949), as “almost one homogeneous strata of urban workers and employees with very similar living conditions and a mentality corresponding to the unified mass culture of today” [Ullrich 1937: 43].

During the World-War II period, the Germans introduced a policy which was directly aimed at equalisation. On the one hand, they preferred to reward manufacturing workers for producing for the German war machine. On the other hand, they simultaneously suppressed Czech intellectuals in order to break the spiritual basis of the nation intended to be Germanised. Intellectuals were considered more hostile to the Nazi occupation and less acceptable for planned assimilation. Preferences and dispreferences in rationing only strengthened what was done by deliberate diminishing of wage disparities. Whereas the ratio of manual and non-manual workers was in 1937 1 : 2.6 by men and 1 : 2.9 by women, it decreased to 1 : 1.45 in 1946 in both cases [Maňák 1967: 531].

After the war, inflation required a differentiated increase in earnings: the lower the level, the higher the growth. Equalisation had already begun by December 1945 with the first wage regulation and followed by innumerable decrees which all stressed the main criterion of need. The necessary equalisation was further strengthened through deliberate policies filled by the Communist Party and welcomed by the majority of the populace within the general climate of Socialist ideology. The tenor of the time was not to allow incomes to fall below the subsistence level and not to waste money for the comfort of higher social categories. Consequently, while the real wage of manual workers almost doubled in the 1937-1948 period, the wage of non-manual employees was kept stable [Problémy... 1949: 63].

The most important changes occurred in the period 1948-1953, when a fortified industrial growth was launched with the Stalinist emphasis on heavy industry. This orientation was underpinned by the dominant Communist ideology in which “intellectual” became a swear-word and equalisation was militantly promoted. As the main Communist ideologue of the 1950s and the first Communist Minister of education Zdeněk Nejedlý said: “what is important is that many people only measure their satisfaction by how much better off they are than others are. They need others to be worse off than they are. It is the very basis of their pursuit of satisfaction and happiness” [Nejedlý 1950: 18].

After February 1948, when Communism took complete power, a true “wage revolution” started, in which the previous trend was even intensified. Through this, in the five following years, the existing wage structure was completely reversed to the benefit of the manufacturing and construction industries (and temporarily also transport) and to the detriment of almost all other branches of the national economy (see Table 1). The main sectors of the qualified intellectual workers (health services, education, culture) fell far below the national average. One factor facilitating these changes was the large inflow of women and peasants’ labour-force nourishing the lowest ladders of manual and administrative work.

Table 1. Earnings according to the branch in Czechoslovakia  
(% of the average)

	1948	1949	1950	1951	1952	1953
Manufacturing industry	92.7	95.0	96.4	100.0	104.4	108.0
Construction	101.2	105.6	110.4	108.1	110.8	115.2
Transport	109.4	112.6	118.6	118.5	111.4	110.3
Communications	80.1	91.2	83.4	95.8	93.9	91.4
Trade and catering	102.5	101.6	98.9	83.5	80.9	90.0
Health and welfare	120.9	114.7	105.8	99.9	96.7	92.2
Agriculture	80.3	77.9	88.4	86.9	80.3	71.7
Education and culture	124.7	118.4	107.6	99.8	96.3	90.0
Banking and insurance	134.7	125.8	120.2	117.0	107.7	104.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: [Hron 1968].

During the 1948-1953 period, general wage differentials (in quantiles measures), branch and skill disparities became one of the smallest among European countries (together with former Eastern Germany, Romania and Albania (Table 2). The reason for reaching such a high degree of equalisation in Czechoslovakia is to be found in the coming together of political, economic, and ideological pressures. The widespread expectations of equality by considerable parts of the population conformed to the intense need of the new rulers to redistribute the lesser wage bill among a greater number of workers and to promote production of raw steel and concrete instead of fine products and innovations.

Table 2. Earnings distribution in European countries  
(percentiles in % of median)

Country	Year	10%	25%	75%	90%
Czechoslovakia	1987	62.2	77.8	125.8	154.1
Hungary	1986	60.2	76.8	128.7	164.3
Poland	1987	61.3	77.3	129.2	168.8
USSR	1986	54.6	72.2	135.9	183.4
Yugoslavia	1987	55.7	74.1	137.3	182.6
U.K.	1987	56.6	73.5	135.3	180.8
West Germany	1987	61.2	77.4	130.3	175.9
Austria	1987	38.4	69.5	137.9	187.6

Sources: [Atkinson and Micklewright 1992]; National Statistical Yearbooks.

### Vested features of the Communist system

As our reconstruction of two income inequality indicators shows, all the basic characteristics of the earnings structure were established in the initial post-war period and firmly fixed for a long period of time, presumably for ever. As for the general pattern of distribution, no real change occurred over the following 30 years, apart from some minor movements in the bottom and top 5% of workers. Despite the demonstrated (or rather assumed) effort to reinforce inequality of earnings according to qualification and performance criteria, no substantial change in the wage system occurred except in the late 1960s (Figure 1).

Figure 1. Earnings differentials in Czechoslovakia

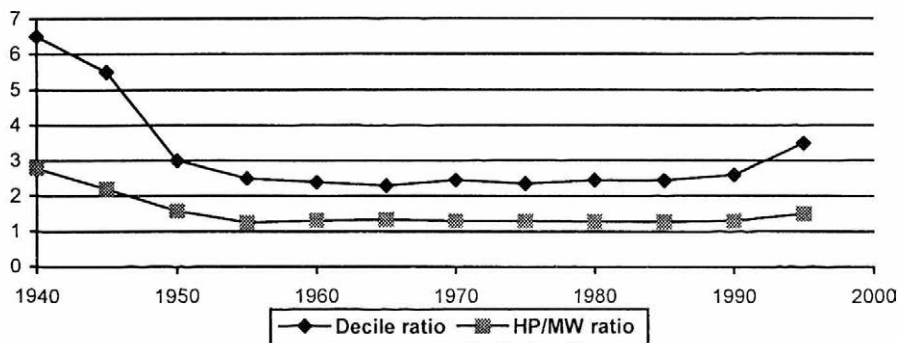


Figure 1 combines statistical surveys, sociological data and our estimation. The first indicator is the decile ratio, i.e. ratio of the ninth and first decile of the distribution of gross earnings. For the period 1940-1948, we rely on insured wages and salaries; for the period 1948-1958, we use statistical surveys which are not entirely comparable with the following ones; data of 1959-1988 are from wage surveys and fully reliable; data of 1992 is Microcensus and the last period is estimated on the basis of Economic Expectations and Attitudes surveys. The second indicator is the earnings ratio of higher professionals (HP) to manual workers (MW) in manufacturing industry. As this information was gathered by the Czechoslovak Statistical Office for the period 1958-1972 only, the rest was estimated using the Family Expenditures surveys for the war and various statistical data for the post-war period. The data concern Czechoslovakia up to 1989 and the Czech Republic afterwards.

Even the reformist tendencies of the 1968 Prague Spring were too weak to bring about significant changes in the system of rewards, although some serious attempts to increase the wage differentials and provide incentives for more qualified workers certainly occurred. Here, we have only very basic information concerning differentials between individual sectors of the economy and the relationship between the earnings of manual workers, engineers, and routine non-manual workers in the manufacturing industry. According to this information, the relative position of engineers and lower administrative staff improved slightly in the mid-1960s but it deteriorated again.

The research on disparities were only slightly more successful than the disparities themselves. The late 1960s saw a revitalisation of sociology in general and more particularly the research in stratification and inequality which brought about a better insight into income differences. The first Czechoslovak social stratification survey was conducted in 1967 and the first statistical survey of earnings according to education in 1968. While the former survey located the country among the most equalised societies and showed income as the prime source of social status inconsistency [Machonin 1969], the latter documented heavy under-evaluation of higher education in rewards, the people educated at a tertiary level catching up with less educated peers in life-time income not sooner than in their forties [Večerník 1969].

Unlike the early stages of Communist rule, changes in earnings inequality of the 1970s and 1980s are described by several income and social stratification surveys. Despite the fact that already the 1958 Microcensus included enquiries about earnings, the

earliest available micro-level dataset is the 1970 Microcensus (smuggled by the author from the Statistical Office). For 1978 and 1984, we can use data from the social stratification surveys. Data show basic tendencies of the earnings structure in the period of the violent "normalisation" after the Soviet occupation of Czechoslovakia in 1968 (Table 3). The main issue is to determine whether behind the stability of the relative inequality of earnings some important changes did occur and how to assess the character of such changes [Večerník 1991].

Table 3. Multiple classification analysis of gross earnings in Czechoslovakia (deviations in % of mean)

	Observed			Adjusted		
	1970	1978	1984	1970	1978	1984
Sex:						
men	17.1	19.5	19.3	15.8	17.9	17.8
women	-23.9	-22.2	-20.4	-22.0	-20.4	-19.2
Education:						
elementary	-13.2	-15.0	-15.5	-9.8	-9.7	-13.1
vocational	3.1	1.5	1.7	-3.0	-0.4	-3.8
lower specialized	-0.2	-5.1	-2.6	2.3	1.2	-0.9
secondary	5.4	4.1	1.6	9.4	7.6	6.7
university	45.4	41.9	26.1	38.9	34.9	25.5
Age:						
20-29	-12.8	-14.4	-13.4	-11.0	-14.4	-14.8
30-39	2.9	1.5	0.2	1.1	1.3	0.6
40-49	7.3	3.9	6.4	7.6	5.7	8.5
50-59	5.9	7.7	5.8	5.0	5.6	6.0
Sector:						
primary	-4.1	-0.6	3.2	-5.5	-4.5	-0.2
secondary	1.7	3.3	5.6	1.5	2.5	4.0
tertiary	-3.6	-5.7	-7.8	-1.9	-0.7	-2.2
quartery	-0.8	-2.3	-5.7	-2.0	-3.2	-6.1

Sources: [*Microcensus* 1970; *Social stratification surveys* 1978 and 1984].

Earnings variable in all surveys is gross wage reported or verified by employers. We compare here the gross earnings of the subsample of full-time workers in the state sector of the economy (excluding cooperative agriculture). The multiple classification analysis is a part of the procedure Anova of the SPSS<sup>x</sup> which performs analysis of variance for factorial designs. Analysis of variance tests the hypothesis that the group means of the dependent variable are equal. The dependent variable is interval level and categorical variables (called factors) define groups. In the multiple classification analysis, unadjusted and adjusted deviations from grand mean are counted, the latter displaying net effect of the individual category within each variable.

The dominant axis of the earnings distribution was apparently gender. In fact the hierarchy of earnings in Czechoslovakia fell into two parts, the bottom for women and the top for men. Only university-educated women had a chance of invading the "men's space". This situation is at least as old and valid as the data on earnings. In 1946, manual working women earned 68% of the male wage and women employed in civil services earned 64% of their male colleagues income [Hron 1968]. In 1959, women earned 66% of the average male wage and in 1988 68%. Despite a significant increase in women's qualifi-

cation, little changed throughout the post-war period. The other reason for the highly explanatory power of gender is that the other factors are too weak to dominate over men/women disparities.

Education appears as the second important factor. Comparing vocational qualification and lower secondary education (the length of study being the same), no significant distinction appears between the rewarding of manual and non-manual work. Returns to investment in secondary or university education were of questionable value considering the costs of studies and foregone earnings. A long-term trend was the decreasing significance of education during the observed period and probably also before it. Especially in the early 1980s, the value of education fell very rapidly. This tendency matches closely the period when real wages started to fall and the regime responded by wage increase to the “working class” while freezing the earnings of “other employees”.

Despite the lower importance of education in determining earnings, this result is still better than the initial program of the “socialist revolution”. According to the principles expounded after 1945, a) since the costs of education are paid by society, only society itself should receive the fruits of qualified labour, and b) once the rewards are more equally distributed, qualified people will be more committed to increase the total national product, i.e. they will automatically act in the interest of all people. Although these principles are far from having been fully realised, many such ideas have persevered both in reality and in consciousness of today’s Czech society.

Under the Communist regime, education played its role less through “cash nexus” (the return to invested human capital) and more through other channels. Firstly, the best jobs were attractive not because of their official reward but due to the various perks they offered (extra money, access to scarce goods or services, useful acquaintances). Secondly, the main advantage of higher education and corresponding jobs was not a good wage but better working conditions, resulting to a better quality of both work and life. Education was then conceived as an important compensation for the increasing discrepancy between the cultural level of the population and its hopelessly backward standard of living.

In the age specification of earnings, we could trace significant shifts in favour of older workers and to the detriment of younger ones. Those shifts began in the 1950s and continued after 1968. When the Communist Party usurped all power in 1948, the catchphrase of the day was “youth forward”. Consequently, the age curve of earnings shifted radically to the left. As this generation of Communist “Gründers” grew older, it never passed its position of power on to new and young people. Simplifying a bit, the system of rewards was continually adapted to the increasing age of this founders’ generation. Preference for young people was replaced with a preference for workers about to retire because – according to another catchphrase – “they are working for their pension benefits”.

The Communist specificity becomes incredibly clear when looking at wages by branch. Whereas in agriculture, manufacturing industry and construction, the relative income level increased considerably, it decreased in the services sector. This might well be explained by Stalin’s complement to Marx’ maxim concerning the reward system under socialism: “Each is paid according to the quantity and quality of his work *and according to the importance of his/her work to society*”. Economic growth was managed primarily to achieve full industrial autonomy and the greatest military capacity. On the basis of the

functional importance of the mining and steel industries was built a complex hierarchy of preferences.

The other axis of income hierarchy was directed to the preservation of the regime. Specific functional importance of a job served as a base to the rewarding managers, party and state bureaucrats, army and police officers.

### Changes brought about by transformation

During a transformation period, administration according to the fulfilment of basic needs is – however slowly and unevenly – replaced by distribution according to the share in the national income which is itself produced by education, job commitment, responsibility and risk-taking. The transition proceeds from the Marxist-based to a Weberian-based society. Instead of fictitious classes defined by their relation to the means of production (their possession according to ideology but their destitution in reality), the reconstruction of the social structure as of “earnings classes” (Erwerbsklassen) is beginning, these classes being generated by opportunities for the market valorisation of the skills which people offer or the activities they perform [Weber 1956: 225].

After decades of apparent stability in earnings distribution, the overall range of inequality started to increase in 1990. This increase concerns the bottom and the top of income distribution, as measured by decile distribution. The lowest income is protected by the minimum wage and a socially motivated rise of income while the top categories enjoy opportunities made available by private business, foreign capital, new management requirements and the financial market. The middle income categories are, however, considerably suppressed by this and have in no way profited from the transformation in real earnings terms. Indeed, it was only the top income category that won in real terms (Table 4).

Table 4. Earnings distribution in 1988-1996

	Year 1988 gross	Year 1992 gross	Jan. 1993 net	Nov. 1993 net	Nov. 1994 net	Jan. 1996 net
<i>Decile shares</i>						
1.	5.3	5.0	4.8	4.5	4.4	4.4
2.	6.6	6.1	5.6	5.7	5.1	5.3
3.	7.4	6.9	6.4	6.5	6.4	6.3
4.	8.3	7.7	7.2	7.1	7.2	7.1
5.	9.2	8.5	8.1	7.9	8.1	7.9
6.	10.0	9.4	9.0	8.8	8.9	8.8
7.	10.9	10.4	10.5	10.1	10.3	10.0
8.	12.0	11.7	12.1	11.7	11.8	11.4
9.	13.3	13.8	14.1	13.9	14.2	14.3
10.	17.0	20.5	22.2	23.8	23.6	24.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Gini coefficient	0.19	0.23	0.25	0.26	0.26	0.27
Robin Hood Index*	13.2	16.4	18.9	19.5	19.9	20.2

Sources: [Microcensus 1989, 1992, *Economic Attitudes and Expectations* 1993-1996]

\*) The Robin Hood Index, coined in [Atkinson, Micklewright 1992] measures the share of incomes necessary to equalize the whole distribution.



The proportion of demographic and economic characteristics have changed significantly during the transformation: in 1988, gender and age explained 36% of earnings variance while education increased the variance explained by an additional 8%; in 1992, the variance explained by gender and age dropped to 19%, while education increased it by 12%; in January 1996, the variance explained by gender and age dropped further to a mere 14%, while the education increment decreased it by 10%. Occupational differential in earnings increased given especially to deterioration of the lowest degrees of the hierarchy in comparison with self-employed people and entrepreneurs (Table 5).

Table 5. Net earnings according to occupational group

	In CZK monthly			In % of the average		
	1984	1992	1996	1984	1992	1996
Higher professionals	3,193	6,648	11,338	128.0	145.5	135.2
Lower professionals	2,555	4,730	8,367	102.4	103.5	99.8
Routine non-manuals	2,078	3,864	7,082	83.3	84.6	84.5
Self-employed	.	6,526	15,333	.	142.9	182.9
Supervisors	.	5,387	8,831	.	117.9	105.3
Skilled manuals	2,700	4,244	8,017	108.2	92.9	95.6
Unskilled manuals	2,108	3,998	6,087	84.5	87.5	72.6
Agricultural workers	2,422	3,752	5,200	97.1	82.1	62.0
Total	2,495	4,567	8,383	100.0	100.0	100.0

Source: [*Social stratification surveys* 1984, 1993; *Economic Attitudes and Expectations*, January 1996].

In the branch division, former preferences were replaced by milder market differences which have promoted trade, catering and especially banking. The state pushed forward administration while neglecting education, health services and research (Table 6). Here, we should mind that the available statistics do not present fully shifts in branch disparities. As the data only includes firms of over 25 employees, rapidly increasing incomes in retail trade and catering are not adequately represented in statistical figures. Generally, however, wage shifts according to industry led to a diminishing significance of this dimension of income distribution: there are currently more intra- than inter-branch income disparities than pre-1989.

The economic reform liberated the labour market and – through extensive privatisation – introduced business incomes as well as greater freedom to employer/employee contracts. Moreover, companies were free to distribute the wage bill and therefore had the option to reward better qualified and more productive workers. The transformation resulted in increasing opportunities for private entrepreneurship, employment abroad or in foreign firms, high rewards for managers and a general upward mobility: over the 1989-1996 period, 24% of workers declared themselves to be climbing the occupational hierarchy in comparison with the 8% declaring themselves downward mobile [*Economic Expectations and Attitudes*, January 1996].

Table 6. Earnings according to branch of employment (% of the average)

	1989	1990	1991	1992	1993	1994	1995
Manufacturing	104.4	103.8	103.6	103.5	101.3	99.9	100.4
Construction	111.2	109.9	106.6	108.2	112.3	110.6	108.9
Agriculture	108.2	109.6	97.7	91.8	87.7	85.0	84.7
Transport and communications	106.4	104.6	103.2	99.1	97.5	98.7	100.8
Trade and catering	83.8	85.0	86.2	90.1	88.6	91.6	88.4
Health and welfare	90.1	92.6	96.6	94.5	95.0	93.9	92.4
Education	89.8	88.1	90.3	90.6	90.3	91.7	90.4
Banking and insurance	98.3	102.0	136.9	169.6	177.7	175.2	171.3
Administration and defense	101.3	100.4	105.3	114.6	117.8	120.7	117.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: [Czech Statistical Yearbooks].

Simultaneously however, earnings in the production sector remained under state control through wage regulation (until mid-1995) whereas earnings in the public sector were determined by tariffs which were equalised and rewarded experience more than qualifications. Several wage scissors have opened. While the state and large private firms were confined, both small and foreign firms had liberty in wage settings, many seeking to attract highly qualified people by offering multiplied wages in comparison with those received in their previous or current employment. Within the non-productive sector, earnings in banking and insurance as well as salaries of judges and top bureaucracy climbed while earnings of teachers, physicians and researchers stagnated.

Whereas in Hungary and Poland, the main axis of earnings distribution is education, the sector of ownership dominates in the Czech Republic. The current superiority of the privatisation process in the determination of earnings is understood by the absence of a private sector under Communism. Recent changes in occupational disparities indicate a certain decline in the relative position of professionals (which does not concern managers) while the return to entrepreneurship is increasing. This makes the renewed Czech capitalism better rooted but less modern. Indeed this will be attenuated in the long-run but it does not necessarily implicate the restoration of the human capital reproduction, vital to the economy.

### Conclusion

The unique Czech income equality, created in a synergy of internal and external forces, was firmly fixed by the Communist regime. Behind the facade of almost stable and small disparities, some important changes have occurred in the 1948-1989 period. Firstly, a pattern of determination was characterised by the predominance of demographic factors (especially sex) and their increasing influence over time (especially in relation to age). Secondly, the main long-term tendency was the declining wage position of secondary and especially university educated workers. Thirdly, we observed an intensifying prioritisation of the productive branches of industry to the detriment of the service and welfare sectors. Fourthly, the systematic transfer from the young generation to older ones occurred over a whole period examined here.

Transformation broke free of all those tendencies and started to weaken these characteristics. Returns to education increased while the gender gap attenuated somewhat and the age profile of earnings became considerably flatter. However, only the first steps of a long journey have been taken and the earnings distribution in the Czech Republic is still closer to the previous regime than to the Western system. Given the uneven regulations, the adjustment is more rapid in some segments (new private firms, firms with foreign capital and/or management) than in others (newly privatised state firms). Also public services see uneven income development, some of them advancing (finance, administration, justice), other lagging behind (health and social services, education, research).

In the near future, contradictory tendencies rather than consistent development towards greater and more functional inequality are to be expected. Earnings between the private and public spheres develop unequally to the detriment of professionals. Financial capital – represented by rewards in banking – seriously prevailing over human capital – represented e.g. by teachers' salaries. While labour is intensively used in the new private sector, its wasting continue in the former state sector. And preachers of wage moderation – deputies and top bureaucrats – require an over-average increase of salaries for themselves. A sort of a polarized system is being developed and congregates in the top, disregarding the differences in the middle.

However, it would be unrealistic to imagine that labour market will quickly and adequately transform the patterns of various factors influencing the allocation and rewarding of manpower. One might hope that after a rather confused transition period, the inequality of earnings will become organised along market axes reflecting the skill, performance, and inventiveness of the work. By providing work incentives and gradually adjusting the reward system to that in the West, the sources and extent of earnings inequality will see marked movements through which the conditions necessary to improve returns to skills, managerial responsibility, risk-taking and performance will be created.

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### Surveys used

- Microcensuses*: 1970 and 1989 conducted by the Federal Statistical Office on 2% sample (N = 70,000 households) in March 1971 and 1989 respectively and including yearly incomes of 1970 and 1988. Microcensus 1992 conducted by the Czech Statistical Office on a 0.5 % random sample (N = 16,000 households) in March 1993 and including yearly incomes 1992. While in the 1989 Microcensus, incomes were confirmed, in the 1992 Microcensus were not.
- Social Stratification Surveys*: 1978 and 1984 conducted by the Institute of Philosophy and Sociology, Academy of Sciences in cooperation with the Federal Statistical Office (number of observations used in the Table 3 7,279 for 1978 and 10,907 for 1984.
- Social Stratification in Eastern Europe*: international comparative research project Social Stratification in Eastern Europe after 1989 conducted in early 1993 under heading of Donald J. Treiman and Ivan Szelenyi, University of California in Los Angeles. National sample of the Czech Republic 5,000 adult respondents. Data collected by the Czech Statistical Office.
- Economic Expectations and Attitudes*: a semi-annual (1990-1992) or annual (1993 onwards) survey on quota samples organized by the socio-economic team of the Institute of Sociology of the Academy of Sciences headed by Jiří Večerník. Collected by the Center for Empirical Surveys STEM.