Closure of coal mine near Ostrava in Czech Republic threatens 3,000 jobs

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The closure of the Paskov coal mine in Frydek-Místek near Ostrava in northern Moravia has put thousands of jobs in danger. Politicians and trade union officials fear a "social explosion" in the region, which lacks infrastructure and is marked by high unemployment.

The closure is part of a massive budget-cutting programme by the pit owners OKD. OKD declared in September it intended to close the unprofitable mine by the end of 2014 if the Czech government did not show its readiness to support coal mining at Paskov with public money.

Referring to this, OKD chief Ján Fabián mentioned a figure of between 4 and 6 billion Crowns (€160 to €240 million) to continue operations until 2018. After this was rejected by the government, Fabián confirmed the planned shutdown on Czech television, saying, "We cannot keep something going which is making losses." Petr Bartek from the Erste Group bank AG in Prague calculated Paskov's annual losses at 1.5 billion Crowns.

NWR, the majority owner of OKD, is one of Europe's leading mining firms and one of the largest companies in the Czech Republic. A large portion of NWR belongs to the Czech billionaire Zdenek Bakala. NWR has made losses over the past two years due to the decrease in coal prices.

OKD management have been cooperating closely for months with the trade unions to impose an austerity programme at the expense of the workers. The trade unions have stated their readiness to take responsibility for large wage cuts. They have offered in negotiations to cut wages by 7 percent.

When it emerged that management wanted to cut wages by 20 percent, the trade unions were confronted with the anger of the workers, and declared that the workforce would strike if their wages were cut by more than 10 percent. In September, 2,000 protested in Ostrava against the possible shutdown.

OKD is now trying to force through the cuts by eliminating additional benefits. Company spokesman Marek Síbrt stated, "We want to discuss the wide range of additional benefits. That includes wages for the 13th and 14th month."

The average wage for miners is around €1,300. That is approximately 50 percent higher than the average wage in the Ostrava region. However, the working conditions are so bad that most workers develop severe health problems by the time they retire.

OKD is the only remaining producer of black coal in the Czech Republic. At four locations in the Ostrava region, it extracts 11 million tons of black coal and employs 13,000 people.

With the collapse of the Soviet Union and the introduction of capitalist relations, drastic job cuts took place in the mining industry of Czechoslovakia. State-produced black coal declined from 26.4 million tons in 1985 to 14.9 million tons in 2000. Those employed in mining fell from 113,000 in 1990 to 47,000 in 2005.

At the same time, the International Monetary Fund (IMF) demanded an intensification of the attacks on social benefits in the Czech Republic. In this context, the ability of miners to claim support when pits are shut down was done away with when the country joined the EU.

The privatisation of the Czech coal mining industry had to be in place before it joined the EU in 2004. The privatised OKD took over all coal production. In 2006, the firm still made a profit of €127 million, and made concessions to the miners to maintain labour peace. A 5 percent wage increase was agreed for 2007. Close to 80 percent of Czech miners are organised in trade unions.

The OKD explicitly praised the effective collaboration with the unions at this time.

But the time for concessions changed rapidly. One year later, plans for spending cuts were being worked out in the company headquarters and the offices of the trade unions. In addition to the 3,000 workers who are employed full-time, there are 500 temporary workers and contractors from other firms who would be affected by the shutdown. There is also the supply industry. According to Ján Sábel, chairman of the miners’ trade union, up to 10,000 jobs in the region will be affected by the closure of the mine.

Ostrava, situated in the east of the Czech Republic, is marked by high unemployment and poverty. Of the 77 districts in the country, it has the fourth highest rate of joblessness. Already more than one in ten residents in the city of 300,000 are without a job. Now, the whole region is threatened with collapse. As Sábel warned, “They want to take the clothes off our backs. A social time-bomb is ticking across the whole region, which could explode soon.”

Despite this, the Czech political elite have made clear that the miners can expect no assistance. Apart from empty appeals to company management to keep Paskov open until 2016, they have rejected all other requests for assistance.

President Milos Zeman and his predecessor, Jirí Rusnok, strongly opposed state subsidies and agreed to severe cuts for the workers. “The government cannot be expected to save indebted industrial companies,” Rusnok said. “It is a private firm, and the state cannot solve its problems with a magic wand. Let’s not have any illusions, this issue will be very painful.”

Faced with parliamentary elections at the end of October, which the social democratic CSSD is expected to win, they have also declared that help for Paskov could not threaten the austerity programme that the new government would strive to pursue. “To demand a further 4-6 billion Crowns from the state to delay the closure of Paskov is outrageous,” said Lubomir Zaoralek, vice chairman of the CCSD.