

Decent Work Country Report - Czech Republic*

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1st Introduction

Decent work means not having just any job, but having a job that is productive and satisfies certain requirements of good quality working conditions. The ILO concept of decent work rests on four pillars that interact and are mutually supportive. The first is the labour market and the creation of new jobs. The second pillar is a functional social system; the third is quality working conditions; and the fourth is social dialogue. Each pillar is an indispensable part and condition of decent work. The problem is that requirements and concrete measures in the individual pillars are often conflicting. For instance, social dialogue may help when bargaining for better working conditions, including higher pay, but it also creates labour market barriers. The trade unions try to prevent employers making wider use of fixed-term contracts by prescribing quotas determining how many new employees must be taken on for indefinite-term work and how many on fixed-term work. In this way the trade unions limit the number of vacancies for job-seekers whose low qualifications, zero experience or other factors reduce their chance of finding indefinite-term work. A second example of specific measures from different pillars working against each other is social protection. On the one hand, social transfers prevent poverty and allow people to refuse certain jobs due to poor working conditions, but on the other hand they reduce motivation to work. For less skilled workers on low wages it does not necessarily pay to work, as incomes gained from the social system are similar to their pay, if we deduce the costs associated with working. Not only are measures from different pillars contradictory: measures within the same pillar often are as well. Part-time work can serve as an example. On the one hand they reduce the employee's chance of further career and professional advancement, but on the other hand they allow better harmonisation of working and family life. Work at atypical hours is another example. Shop staff have worse working conditions because they have to work on shifts or on weekends. But if shops were closed in the evenings and on weekends, it would be worse for customers because opening hours would be the same as normal working hours.

Basically, it is not possible to say definitively that any measure is entirely bad or entirely good. There is always someone it will help and someone it will harm. What is important is to find **an optimal overall system set-up** so that individual measures are complementary rather than conflicting. It is a case of ensuring that no aspect of working and social life is either too advantageous or too disadvantageous. If it were too advantageous there would be a risk of its abuse by the people it is advantageous for. And, conversely, if it is disadvantageous, there is a risk it will be replaced by other alternatives, often illegal. A system that gives the individual actors a real choice in line with their current needs and capabilities would therefore seem to be optimal. The system should not be over-preferential to any of the possible alternatives at the expense of others.

It is very difficult to devise an optimal system owing to **the large number of actors** participating in it. These are not just the traditionally mentioned employers, employees and the state. There are also the unemployed, people outside the labour market or the self-employed. What is more, all these groups are internally highly heterogeneous and their interests are dictated by their specific situation at any one time. A mother with small children will have different preferences from a school-leaver or someone approaching retirement. Similarly, there will be differences in the needs of large and small employers, and between those in highly specialised fields and those requiring more manual labour. That makes it difficult to take into account all the actors' requirements when devising the system. The fact that the system comprises opposing forces that balance each other out can be viewed as a positive. In democratic societies, these opposing forces have traditionally been political parties, trade unions, employer associations and also NGOs.

The aim of this study is to characterise the various aspects of decent work, and to do so on several levels. The first is to describe the current situation and the

prevalent trends of the last approx. 10 years. The second level is the attempt to identify the individual elements' place in the system as a whole and how they influence each other, who gains from this situation and who loses. Government policies and the attitudes of the social partners comprise the third level. And lastly we tried to outline the current government's reform measures. These reforms are an important topic now, because a right-wing cabinet has been assembled after eight years of government by the Social Democrats. And one area most affected by the reforms is the work and social area, i.e. areas closely related to the concept of decent work.

The starting point of the entire study is that the **labour market is more important** than the other pillars of decent work, and is so for several reasons. First, "having work or being in employment" is the primary and essential condition of decent work. If a person cannot find any work for a long time, one can hardly talk of decent work in his case. And if decent work measures made it much more difficult to find work, they would be ultimately counterproductive. The second reason for the labour market's primary importance is bargaining positions. If supply on the labour market outweighs demand, that substantially strengthens the bargaining positions of employers, and vice versa. If legislative measures are to be complied with, they must be either strictly controlled or "enforced" by circumstances, e.g. the need to retain employees. At times of high unemployment employers do not have to look after their employees as much as when unemployment is low. And finally, the third reason is that people who are at risk on the labour market often have to accept work with worse working conditions. Risk groups are similarly at risk in the context of decent work.

The second starting point is that **decent work cannot be implemented at someone else's expense**. The benefits of decent work should be felt by both employees and employers, but also by the state and the unemployed. Decent work has to be beneficial for all stakeholders if it is to be long-term sustainable. It would be wrong to expect employers to spend money on employee satisfaction just for the sake of it. Money will be spent only if employers see that the change will benefit them. For example, if employee satisfaction results in lower workforce fluctuation or greater productivity. If decent work regulations went against employers' interests, they would look for ways to get round them or to reduce their negative impacts, even at the cost of moving production to other countries or dismissing.

The study is divided into **four major parts** that overlap and complement each other, but each part looks at the issue from a different angle. The economic and social context characterises developments in the Czech Republic in the past years. It looks at decent work from the macroeconomic level and in the context of the labour market. The second part is divided into ten subchapters, each of which describes a different aspect of decent work. Given the limited space, these descriptions are not exhaustive, but rather an outline of the situation and trends in the Czech Republic. The third part focuses solely on how the individual aspects interact. It seeks to draw attention to the principal links that need to be borne in mind when making decisions. It tries to show the consequences that the adoption of some measure may have. The fourth and final part summarises the principal findings and sets out some basic recommendations.

Overall, **the "decent work" situation in the Czech Republic** is not bad. Even so, several problems present themselves. We regard insufficient education and low qualifications as being quite categorically the biggest risk factor on the labour market. Economic restructuring and the introduction of new technologies mean that employers are demanding constantly increasing levels of education. An excessively large pool of unskilled labour is thus forming on the labour market. Unfortunately, the Czech Republic does not yet have a functioning system of further education, and people, especially those with lower education, are not aware of its importance. The second problem is the relative generous social system that creates room for abuse. What is more, the current social system is unsustainable due to population ageing. The third problem is the big difference between the protection of contract without limit of time and other forms of employment. Consequently, employers use alternative forms of employment, such as outsourcing

using self-employed people or agency employment, which is currently gaining strongly in popularity. Besides the traditional problems, there are also new risks. The primary risk is the difficulty in harmonising working and family life. The lack of flexible forms of employments forces Czech mothers either to accept full-time work or not to work at all. The constantly increasing pace of work and the related stress can be regarded as a new risk.

On the other hand, positive aspects are also evident. Only approx. 2% of employees are on the minimum wage and just 20% of employees receive a low wage. The restructuring of industry and increasing interest in health and safety in the workplace are causing the number of work injuries and occupational illnesses to fall constantly. Last but not least, the ongoing reforms in the Czech Republic should be highlighted. It seems that many of the reforms are a step in the right direction and lead to more evenly balanced conditions, but of course we still don't know how it will be working.

2nd The economic and social context (Jaroslav Kux, Ing.)

2nd1st1st Economic cycles and factors, impacts of government policies

To understand economic developments since roughly the mid 1990s and the several subsequent alternating economic cycles, at least a brief mention should be made about the previous period of the first years of Czech economic transformation at the start of the 1990s. This period can be summed up as **a period of necessary economic decline**, characterised mainly by falling GDP (by a total of 13% from 1990 to 1993) and falling employment (by approx. 10%), unprecedentedly high inflation and falls in real wages (by one-fifth). The main factors in the falling output were the collapse of former COMECON markets, which could not be replaced by western countries' markets in such a short time, compounded by the fall in the population's purchasing power as a result of high inflation. The government's economic policy in this period was based on the "shock therapy" principle, centring on radical liberalisation of prices and foreign trade, as well as rapid privatisation. These first steps were accompanied by restrictive fiscal and currency policy, including persisting wage regulation. During this phase the population regarded the negative social impacts as a necessary tax of the transformation process and was generally reconciled to it – serious social conflicts did not occur.

The period around 1995 can be characterised as **a period of renewal of economic growth**, however; this period did not last long (roughly from 1994 to 1996). With total growth of 13% GDP returned to its pre-transformation level of 1989; employment started to increase again, with unemployment remaining unprecedentedly low; inflation growth had fallen to a one digit level; and, after the previous deep decline was overturned, real wages grew again. Besides these altogether positive trends, however, certain external imbalances also gradually started to deepen. This was caused by the relatively fast wage growth that far outstripped productivity growth, and also by the long-term stable Czech currency exchange rate with the principal foreign currencies – with Czech inflation much higher than in other developed countries, this effectively meant the strengthening of the Czech currency that was not consistent with the country's economic standard. As a result of weakening exports and increasing imports, the balance of trade deficit increased sharply and the growing balance of payments current account deficit (in recent years almost 7% of GDP) started to jeopardise the country's economy. The country's gross debt doubled.

The fact remains, however, that after the first years of fall economic growth was kick-started, which also resulted in a relaxation of the relatively rigid restrictive government policy. However, the markedly increasing differentiation of wages and salaries, combined moreover with a fall in the average level of pensions compared to average wages, gradually led to dissatisfaction among a certain part of the population and growing social tension. Overall, in government circles the prevailing mood was one of satisfaction with the achieved economic results and, in later phases, there were even ideas about the actual completion of economic transformation.

The relatively short period of renewed economic growth was then superseded by **a period of economic recession** (1997-1999). To some extent this period was the most contentious of the entire process of economic transformation, influenced by, among other things, the political changes that took place, including the ensuing changes to governments' economic policy. Overall, this period can be characterised in the first years by a fall and then stagnation of GDP, accompanied by a further decline in employment and gradual increase in unemployment. Real wages development essentially copied productivity development. Although the deficit of both the balance of trade and payments were gradually reduced, the first symptoms of fiscal deficit started to emerge. Put briefly – the unfinished economic restructuring and a tightening of the government's restrictive

economic policy became the main factors bringing about economic recession. One of the long-term causes of this unfavourable development can be found in the not entirely successful and effective handling of the privatisation process, whereby although new owners were found relatively fast, the often merely formal privatisation did not result in the necessary economic restructuring. However, several short-term factors also contributed to the decline; one significant short-term factor was the government's markedly restrictive fiscal and monetary measures that resulted in a "choking" of the economy. The deepening external economic imbalance from the previous period that continued at the start of the recession period and the gradually emerging political instability in the country had a considerable influence on this turnaround in transformation policy. It is fair to say that the privatisation process and economic reform process were effectively halted.

At that point in time, Czech economists and politicians began to hold serious discussions on the need for changes in the priorities for the country's further development. In this way, inflation questions moved on to the agenda; although inflation was much lower than in other transition countries, it was still several times higher than inflation in EU member countries, which could have become a serious obstacle to the later accession to the EU. Anti-inflation measures then became the chief priority of transformation policy, even at the cost of slightly reduced economic growth. This strategy came to dictate the government's fiscal measures (two separate "packages" of measures of budget savings) and also moved the central bank to withdraw some of the money supply and to make money more expensive (by raising base interest rates). Although inflation fell sharply, especially at the end of the period, the measures taken simultaneously reduced the population's purchasing power and particularly undermined further investment. However, even from today's viewpoint it is very difficult to separate the negative influence of the implemented restrictive measures from the said unresolved long-term problems.

The 1997-1999 period also brought fundamental political changes that impacted on government economic policy. Early elections gave rise to a minority Social Democrat government that replaced the temporary government with a limited term and substantive mandate that resulted from political crisis; the Social Democrat government thus replaced the governing right-wing Civic Democrat party that had been in power throughout the previous period. By contrast, the new government's designated priority for transformation policy was to restore economic growth, concentrating on attracting foreign capital and foreign investments and supporting small business, even at the cost of budget deficits.

From the very start of the new decade, the Czech economy's recession period was again superseded by a period of economic revival that continues to this day. Even so, from today's viewpoint this period can be divided into two parts: the first years of more gradual economic growth, with much stronger economic growth from roughly the middle of the decade. The year 2004 – the year of the Czech Republic's entry to the EU – can be seen as a dividing line.

The first phase, roughly from 2000 to 2003, brought **a repeated revival of economic development** with annual GDP growth rates of approx. 3%. The fall in employment essentially stopped, so there was a further acceleration in productivity growth. However, the growth in real wages (20% growth over four years) continued to outstrip the relatively fast productivity growth (12% over the same period), which could have put the economy's further development in danger. Despite certain fluctuations, the rate of unemployment remained relatively high at around 8%. Problems also persisted in external economic relations, where the balance of trade remained in deficit (though the deficit decreased each year), but the deficit of balance of payments even worsened compared to the previous period; the fiscal deficit also increased perilously, even exceeding 4% of GDP in the final year. Inflation developed in a relatively favourable way – in the first years of restored economic revival the rate of inflation was around half the level of a number of previous years, but it continued to fall, so that in the last two years

of the period it hovered just under 2%. To some extent that was also influenced by the deferral of some prepared deregulatory price measures, however.

These data indicate that the new government's primary focus on restoring economic growth did bear some fruit – acceptable economic growth was restored, even though at the price of, among other things, deficit budgets that could have posed a serious danger to the country's healthy economic development if this tendency remained unchecked. Incentives were successfully used to attract foreign capital: whereas direct foreign investments were worth just approx. USD 1 billion per year for the entire 1991-1996 period and just under USD 4 billion per year during the economic recession years of 1997-1999, direct foreign investments increased on average by more than USD 5 billion per year in the 2000-2003 period. It should be added that the imperative economic reforms began again, mainly the completion of the privatisation of the banking sector and power industry but in other economic sectors as well. This led to the gradual start of the essential restructuring of industry and other sectors, which was reflected in, among other things, the said productivity growth but also in the stagnation or slight decline in employment and persisting relatively high unemployment. Serious problems in the financing of healthcare and social insurance, and above all the pension system, remained unresolved.

The second phase of revival of economic growth, now in the context of the Czech Republic's EU membership and stretching roughly from 2004 to the present day, has been marked by even faster economic growth than the previous first phase. Average annual GDP growth in the years 2004-2006 was around 6%; in the last two years of this period even around 6.5% per year. It seems, though, that this growth has peaked and in the subsequent years 2007 and, in particular, 2008, a slight reduction in the rate of growth should be expected (according to some estimates, GDP will grow by at most 5% in 2008). Employment has registered a slight growth in this period, with a resulting fairly pronounced fall in unemployment as well, which had fallen to approx. 7% by 2006 and continues to drop sharply (a rate of unemployment of just approx. 5% is anticipated by the end of 2007). The previous negative tendency in the development of the balance of trade was fundamentally overturned: the increasing pace of export growth, combined with the falling pace of import growth, has meant that in the last two years, for the first time since 1990, a positive foreign trade balance was achieved, even though the balance of payments current account remains slightly in the red. Perhaps the most striking improvement since 2004 has come in manufacturing results – it seems that Czech goods are becoming competitive and in demand, even though the pronounced strengthening of the Czech currency, in recent years in particular, is starting to have a negative effect on exports. With the exception of 2005, the fiscal deficit has again been at least 3% of GDP will evidently grow again in 2007. After the previous, relatively favourable development, inflation has again risen slightly, but it remains at the relatively acceptable level of around 2-2.8%; by the end of 2007 it had started rising much more strongly, however – around 4% and estimated to increase further in the following year. The inflow of direct foreign investments went ahead, averaging approx. USD 7.5 billion per year. The proportion of employment accounted for by foreign firms is growing constantly and currently represents almost one-fifth of total employment in the country. Even though productivity outstripped real wages growth in this period, in the long-term development since 1990, and particularly since the mid 1990s, the improvement in productivity is not sufficiently far ahead of the relative fast rates of real wages growth.

The government's policy at the start of this period went ahead and there was further support for foreign business, but, in the run-up to parliamentary elections, various social benefits were also increased, which was reflected in, among other things, further menacing growth in the country's gross debt. After years of Social Democrat government, the regular parliamentary elections in the middle of 2006 were again won by the right-wing Civil Democratic Party; after lengthy negotiations it managed to put together a governing coalition with two other parties; with an entirely new planned government economic and social programme focusing primarily on the long-term fundamental and unresolved problem of stabilising public budgets.

2nd1st2nd Public budgets stabilisation programme

From 2008 onwards, **the adopted public budgets stabilisation legislative measures** will bring in many cases completely fundamental changes to the applicable legislation; even so, these are something of a compromise compared to what were originally much more radical intentions of the governing Civic Democratic Party. This compromise, softening the originally intended measures, was the result of two basic factors: partly the actual composition of the governing coalition made up of parties with sometimes different programmes; and, in particular, the lack of a majority necessary to push through more radical changes (the governing coalition and opposition both have 100 seats in the Chamber of Deputies).

The main changes can be summed up as follows:

- *in taxation*: introducing a flat income tax rate of 15%, compared with the previous four rates of 12%, 19%, 25% and 32% that applied in 2006-2007, but computed, in the case of dependent work, from gross income including the employer's contribution to social and health insurance (i.e. amounting to 35%); to compensate for possible loss of real wages among some taxpayers a number of tax discounts were introduced – even though the government's calculations do not envisage that net wages will fall, these measures will bring savings to higher-income groups of the population above all
- *in social and health insurance*: introduction of an income ceiling above which insurance premiums will not be paid; additionally, the conditions governing provision of sickness benefit will gradually be tightened to prevent abuse of the current system
- *in social benefits*: a number of measures are being implemented to unify and, in particular, prevent abuse of social benefits; in particular, an end will be put to the automatic, as a rule annual, valorisation of benefits, with the exception of pensions; living on benefits should become a less attractive option
- *revitalising the unsustainable financial situation in healthcare*: citizens will help pay for the cost of healthcare in the form of charges for visiting doctors, issuing prescriptions, time spent in hospital, but again with a ceiling for citizens' payments
- *in the value added tax (VAT) rate*: the two applicable rates are converging – the basic 19% rate remains unchanged, but the reduced rate mainly applying to food and other key basic items such as medicines and certain services, is raised from 5% to 9%.

In pensions there have not yet been any direct changes in the said legislative measures, but the fact that the working group made up of representatives of all parties is gradually reaching consensus on the need to implement some first steps – raising the retirement age to 65 in the future and increasing the importance of and support for workers' supplemental pension insurance – should be seen as positive.

It is envisaged that the benefits these measures bring will make a significant contribution to the revitalisation of public finances, but measures affecting social benefits, the introduction of charges in healthcare, increasing VAT on a number of items and further growth in payments for electricity, gas, heat, water, public transport etc. will increase inflation expectations. The consequences will evidently be manifested in a reduction in household consumption, one of the key factors of economic development; among other things, this will lead to expectations of a slowdown in the country's economic growth in future periods.

2nd1st3rd Overview of labour market developments

In the first years of transformation the principal focuses of government measures was the creation of an institutional environment and fast-track privatisation of the economy; and later, during the transformation process, tackling problems arising out of the economic development – the need to restore economic growth, deal with the causes of economic depression and ensure its continued rapid development. Developments on the labour market were thus often merely a reflection of the measures taken to address current questions of economic development and to a large extent the consequence of the attempt to deal with problems in the context of the ongoing

economic cycles. A more systematic approach to employment issues did not arise practically until the Czech Republic's period of candidacy for EU accession, when National Employment Action Plans were regularly drawn up. These plans are designed to implement European Employment Strategy in the context of the Lisbon Strategy objectives from the year 2000 and are broken down into 10 priority areas, focusing primarily on the fight against discrimination and inequality on the labour market. Their aim is to help ensure equal access to employment by selecting suitable instruments to support disadvantaged groups of the population – the long-term unemployed, the low-skilled, school-leavers, older people, the disabled, ethnic minorities, women etc. (EQUAL project).

Overall it should be said that throughout the past period the share of public expenditure taken by employment policy in the Czech Republic has been among the lowest of all OECD countries – from 1998 to 2005 it ranged from 0.36% to 0.51% GDP per year, most of which went on passive policy (paying out benefits). It was only in the last two years that the proportions became more evenly balanced, but only because of the increasing share of expenditure going towards employment services administration. The core of expenditure on individual active labour market policy measures has traditionally focused on subsidised employment – supporting direct employment in the private sector, supporting the unemployed starting a business, and direct support for job creation (known as publicly beneficial work in the public or non-profit sector).

The Czech labour market has experienced relatively major fluctuations in the past period. For a long time the Czech Republic ranked among countries with a relatively low level of registered unemployment – just around 3% up to 1996 (the rate of unemployment as per ILO methodology and based on the Labour Force Survey was approx. by 1% higher). The most remarkable development came in the first years of economic transformation, with pronounced falls in production and employment. In the period from 1990 to 1993 alone, the number of jobs fell by approx. 500,000 (i.e. roughly 10%), but only around one-third of those who lost their jobs joined the category of the unemployed during this period – most of them were forced to leave the labour market completely (retirement, employed women became housewives again), but a portion also evidently started to work in the hidden economy – work abroad, often illegal, unregistered work in the Czech Republic etc. Subsequent developments in employment displayed frequent fluctuations – a slight increase in employment in the first period of restored economic growth was replaced by a new fall in employment during the period of economic recession in the second half of the 1990s, which essentially continued for the majority of years of the new economic revival at the start of the new decade, also as a consequence of the increased inflow of foreign capital and the beginning restructuring of the economy. Employment only registered growth again at the start of 2005 – so far around 1% per year. The fluctuations in the development of employment were essentially accompanied by corresponding changes in the development of unemployment. Unemployment remained high at around 8% throughout the 1999-2005 period, however. In recent years there has been a sharp fall in the rate of unemployment – after falling to 7% in 2006, the rate of unemployment was just above 5% in the middle of 2007.

The overall situation on the labour market has changed profoundly in recent years – after a period of high unemployment practically throughout the first half of the new decade, accompanied in a number of regions by a considerable shortage of vacancies, business is currently suffering from an overall shortage of labour, despite the fall in unemployment. In regions with high total unemployment, finding suitable workers is one of the main problems faced by new foreign companies doing business on the Czech labour market. The local unemployed people are not always sufficiently qualified or willing to work for the relatively low wages that these firms often offer; they prefer the still generous benefits system, so as a rule as many as half of the new jobs in these firms have to be filled by foreign workers. Initially, these were mainly drawn from Slovakia and Poland, but their willingness to work in the Czech Republic is now declining, so to an increasing extent these jobs are filled by citizens from Mongolia and Vietnam. The proportion of total employment accounted for by foreign workers working legally in the

country is almost 5%. At the same time, however, in a number of professions the Czech Republic is witnessing an exodus of skilled Czech workers¹, and the jobs they leave behind also have to be filled by skilled workers from abroad; the current situation in healthcare is a typical example.

To conclude, it should be declared that official employment figures in the Czech Republic are to some extent undervalued. The first labour accounts compiled reveal that actual employment is approx. by 4% greater; given the estimated scale of the hidden economy in the form of undeclared work by foreigners and Czechs too, the level of employment is another several hundred thousand workers higher. That is why a number of steps have been taken, in recent years in particular, to restrict this undeclared work and gradually transform it into proper work.

¹ About 55 thousand people was working in 2006 in some of other EU countries (MPSV, EURES). It's about 1.1% of employed.

2nd2nd Main economic and social indicators 1990 – 2006

		economic fall				renewal of economic growth			recession			economic revival				economic growth		
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP, const. prices	annual change in %	-1.2	-11.6	-0.5	0.1	2.2	5.9	4.0	-0.7	-0.8	1.3	3.6	2.5	1.9	3.6	4.6	6.5	6.4
Employment	Thousands*	5 351	5 059	4 927	4 848	4 885	5 012	5 044	4 947	4 883	4 760	4 822	4 852	4 851	4 830	4 780	4 813	4 856
Unemployment rate	LFS definition, in %	0.8	2.6	3.1	3.0	4.3	4.0	3.9	4.8	6.5	8.7	8.8	8.1	7.3	7.8	8.3	7.9	7.1
Inflation	annual change in %	9.7	56.6	11.1	20.8	10	9.1	8.8	8.5	10.7	2.1	3.9	4.7	1.8	0.1	2.8	1.9	2.5
Productivity	annual change in %	-0.3	-6.5	2.2	1.7	1.4	3.3	3.4	1.2	0.5	3.9	3.8	1.9	1.9	4.0	5.7	5.8	5.5
Real wages	annual change in %	-5.5	-26.3	10.3	3.7	7.7	8.6	8.8	1.9	-1.2	6.1	2.6	3.8	5.3	6.6	3.8	3.2	4.0
Trade balance	bill. CZK				-4.3	-39.6	-99.5	-153	-150.4	-80.3	-64.4	-120.8	-116.7	-70.8	-69.8	-26.4	38.6	39.8
Balance of payments	Curr. acc., % of GDP				1.3	-1.9	-2.5	-6.6	-6.2	-2	-2.4	-4.8	-5.3	-5.5	-6.2	-5.2	-1.6	-3.1
State budget balance	in % of GDP				0.1	0.9	0.5	-0.1	-0.9	-1.5	-1.4	-	-2.9	-1.9	-4.2	-3.3	-1.9	-3.0

* since 2000 new time-series

** till 1993 registered rate in %, since 1994 LFS definition

3rd Trends in working and employment conditions.

3rd1st Employment status/employment contracts (Tomas Soukup, Mgr.)

3rd1st1st Increase in the number of self-employed persons

There were approximately 4,828,000 employed in national economy in the Czech Republic in 2006. Roughly 84% of them are in employment; 4% are employers; and 12% are self-employed without employees. In the period under scrutiny both the absolute and relative **proportion of employees fell** (by 3 percentage points), and the **number and proportion of self-employed persons rose** (by 4 percentage points). The number of self-employed persons grew up to the first half of 2004. After 2004 the number of self-employed persons fell slightly² because of the introduction of minimum tax obligations for those working under a trade licence and the more stringent ban on the "Svarc system", i.e. employment done under a trade licence. This tightening of the rules mainly consisted in a precise definition of what can be regarded as Svarc system employment and the introduction of major penalties for employers employing workers on the basis of trading licences.

3rd1st2nd Informal employment

Informal employment in the Czech Republic exists but is very hard to quantify. Rough estimates put the number of informal employees at 150,000-350,000, with roughly 50,000-120,000 being foreigners³. There are approx. 100,000-250,000 Czechs working illegally, whereby some of them are unemployed⁴, some of them work individually on their own account and some are employed on the basis of a trade licence (Svarc system). It's difficult to say, how many people work under the Svarc system. Informal work is usually done in the construction industry, in motor vehicles trade and repairs, in agriculture and in services (e.g. car service centres, hotels and restaurants, personal services...). All illegal workers expose themselves to risks such as liability for damages or work injury and the risk of low payment or non-payment of social insurance. Long-term non-payment of social and health insurance may result in minimal pensions or no income in the case of long-term illness.

The **principal motives for informal work** among Czech workers and employers are economic and administrative. People working under the Švarc system make use of the possibility of calculating their expenditures by lamp sum of 50%⁵ without having any tax document. So they pay taxes only from the half receipt. The motive for

² In 2003 there were 581,000 self-employed people; in 2005 there were 551,000. According to the latest data, the number of self-employed people grew again in 2007.

³ According to controls and inspections by the labour office and foreigners police, 28% of foreigners work illegally in the Czech Republic; it should be noted, however, that the employers that are inspected are often selected in advance (Analysis of the Development of Employment and Unemployment in 2006, www.mpsv.cz). There are approx. 275,000 foreigners working legally in the Czech Republic (RILSA). There are at most 100,000-200,000 foreigners working illegally on the Czech labour market.

⁴ One guide to the scale of illegal work done by Czechs can be found in a comparison of the number of unemployed registered job-seekers (often only because of social support) and the number of unemployed people found by the Labour Force Survey (LFS). According to the labour offices there were on average 475,000 unemployed people in 2006. According to the Labour Force Survey there were 371 000 unemployed, but only 297,000 of them was simultaneously not registered with the labour offices. This means that there are on average 180,000 people more registered with the labour offices than the figure according to the Labour Force Survey. Part of the difference is caused by differing calculation methods, but part must be attributed to illegal work.

⁵ In some fields the tax base can be reduced by as much as 80%.

informal work among the unemployed is the possibility of simultaneously collecting unemployment benefit and untaxed pay.

A frequent motive behind the informal employment of foreigners is the barriers making it difficult for them to enter the legal job market. Employers must employ Czech citizens preferentially. Only if they cannot find suitable Czech workers may they employ foreigners, but they have to ask the labour offices for permission, which tends to require a lot of paperwork. Employers therefore decide to employ foreigners illegally (often in the construction industry) or take on foreigners via work employment agencies that have branches abroad and send workers on working trips. The situation with the employment of foreigners improved after the Czech Republic joined the EU. EU accession fundamentally facilitated the employment of foreigners, primarily from member states. The situation regarding workers from third countries continues to be difficult, but it too is improving thanks to gradual liberalisation. It is mainly employers who call for easier employment of foreigners, as they cannot fill vacancies with Czech workers.

The government's response to informal employment currently takes four directions. First, allow the unemployed to earn some extra money. Second, reduce social benefits for the long-term unemployed who do not cooperate with the labour offices. Third, they are attempting to enact criminal liability on the part of employers who organise or mediate informal employment. And fourth, make greater liberalisation of the labour market and increased possibilities for employing foreigners. However, the increased liberalisation of the employment of foreigners should be followed by measures in other social areas targeting foreigners. These are still to be created, however. The Švarc system is currently tolerated by the Czech right-wing political representation. And not even the trade unions have protested against it recently.

3rd1st3rd Differing protection of work relations

Job protection in the Czech Republic is unbalanced. On the one hand, there is high protection of standard indefinite-term jobs. On the other hand, there is little security for other types of employment contracts. This disproportion has led to an increase in fixed-term jobs and, most notably, self-employed people (which together account for about 20% of the working population).

The high protection afforded to indefinite-term jobs has negative consequences for employers and at-risk groups of unemployed. For employers, the biggest problem is the highly bureaucratic and time-consuming process of individual dismissals, e.g. because the employer is dissatisfied with the employee's work. Frequent consequences of this are discrimination against high-risk groups on the labour market, where employers prefer to select a "more certain" employee, or a tendency to use other forms, e.g. agency employment, which has recently expanded considerably, or outsourcing.

The high level of protection of contracts without limit of time is one of the causes of the labour market's rigidity. That is particularly evident in the low level of flows in and out of employment. Employees can thus paradoxically become concerned about the length of time it may take to find a job. As unemployment has grown, so has the number of people who are afraid about losing their job. At the end of selected period the unemployment fell rapidly and so the proportion of people fearing for their future. The fear of loss of employment forced many workers to accept terms that they would not have accepted if they had alternative economic options (for more see chapter 4.1.1.).

There would seem to be a need to strike a better balance between the kinds of employment contract in terms of the levels of security and flexibility. The question is, whether to enhance the flexibility of indefinite-term employment contracts or increase the security of other, non-standard employment arrangements? Perhaps both.

Contracts without limit of time⁶

According to the OECD Employment Outlook 2004 the Czech Republic was **among the countries with the most stringent protection of contracts without limit of time** in the years 1999 to 2003. Protection was greater only in Slovakia and Portugal. Although the protection of contracts without limit of time fell slightly after 2003, estimates still rank the Czech Republic among the countries with the highest level of contracts without limit of time. The high protection afforded to these standard jobs is achieved through legally enshrined procedures associated with termination of an individual contract without limit of time. Employers may serve notice to employees only on the grounds expressly defined by law⁷ and may not dismiss employees who are in one of the categories of the "protective period"⁸. The minimum notice period is 2 months. Trade union organisations can collectively negotiate for longer notice periods and possibly higher severance pay in the event of dismissal. The higher severance pay is negotiated in 43% of collective agreements.

Fixed-term employment relations

On the other hand, the Czech Republic is among the countries with the least regulation in the case of **fixed-term** employment, despite the fact that this regulation has been increased slightly in recent years. Up to 2004 it was possible to conclude fixed-term contracts repeatedly; since 2004, employers have been obliged to offer the majority of employees⁹ either an indefinite-term work contract after two years, or to dismiss them. The principal reason for this change was the practice whereby employers in specific sectors and fields intentionally contracted the majority of their employees to work for fixed terms repeatedly for the period of one year, in some cases even for the period of one month, and thus both kept their employees in a state of constant uncertainty about possible dismissal and also avoided the increased costs that an indefinite-term work contract would require when dismissing these workers. The number of fix-term contracts slightly fell after this legislative change.

Fixed-term contracts can be now concluded with all people regardless of their age, sex, health or marital status. Before 2004 people in the following categories could not be employed on fixed-term contracts, unless they so requested in writing: school leavers, under-18s, employees covered by a collective agreement prohibiting fixed-term contracts, and disabled people (till 1998). In fact this regulation had a negative effect on their employability, because employees preferred other applicants.

Approx. 8.6% of employees work in a fixed-term job; among men the proportion is 7.4%, among women 10.1%. 70% of these arrangements are "non-voluntary", because these employees could not find work with a different kind of contract. In the last ten years the number of workers doing fixed-term work because they had no alternative has increased. The relatively small (compared with other countries) proportion of "non-standard" jobs may be caused by, among other things, the relatively good labour market conditions. The proportion of people working in fixed-term jobs would seem to be linked to the employment and unemployment rate. A lack of alternatives at a time of high unemployment forces people to accept fixed-term work.

Fixed-term employment relations are more common among younger workers up to 29 years of age and among low-skilled people working as ancillary manual labourers,

⁶ Nekolovova, M. (2007), Labour market flexibility and employment protection, European Foundation for the Improvement of Living and Working Conditions, Dublin.

⁷ For example, if an employer wanted to terminate an employee's employment on the grounds of the employee's unsatisfactory results, he first has to urge him in writing to eliminate the shortcomings. Only if the employee fails to eliminate them within a reasonable period of time can the employer serve notice and the two-month notice period starts.

⁸ These are workers who are temporarily incapable of work, participants in military training, people carrying out a public function, pregnant women and people on parental leave.

⁹ The only exception is university teachers, with whom the universities act allows repeated conclusion of employment for a fixed term.

in education and in state administration. One special category of fixed-term work is stand-in work for someone on maternity leave, where the employer has to hold the job for the mother on maternity leave. Another special category is seniors over the retirement age. They cannot simultaneously collect a state pension and hold an indefinite-term job.

Increase in agency employment¹⁰

Agency employment is a relatively new but rapidly growing phenomenon in the Czech Republic. Agency employment was not legally regulated in detail until 2004. The number of agency employees is very difficult to estimate, as despite recruitment agencies' reporting duty the Ministry of Labour and Social Affairs only obtained statistics for 2006 from just under 1/3 of recruitment agencies. Nevertheless, there are other indicators that at least partially document the scale and features of agency employment in the Czech Republic:

- The Ministry had issued 1,705 licences as of 30.4.2007.
- One person can have an unlimited number of licences.
- In the metalworking industry there were on average 27,000 agency employees in 2006, which accounted for 4.7% of the industry workforce (according to a report by the KOVO trade union).
- The number of agency employees in the metals industry grew by 30% during 2006 (according to the KOVO report).
- In some metal plants more than half the workforce are agency employees.
- The Association of Providers of Personnel Services, which brings together the 23 biggest agencies, employed a total of 41,577 employees in 2007 (12,657 converted workers). (According to the association's president.)
- The Association of Providers of Personnel Services registered a 20% increase in the number of allocated employees in 2007. (According to the association's president.)
- A large proportion of agency employees are foreign (Slovaks, Poles). (According to the association's president.)
- Approximately 70% of employees coming under the Association of Providers of Personnel Services are unskilled workers. (According to the association's president.)
- In Prague agency staff also fill administrative jobs or positions requiring university education. In other regions the work is predominantly unskilled. (According to the association's president.)
- The highest demand for agency employment is found in the automobile and electrical engineering industries. (According to the association's president.)

It is difficult to estimate the total number of agency employees in the Czech Republic. But we can observe a rapid increase of this phenomenon, which five years ago was confined almost entirely to occasional student temporary work.

The majority of agency workers are employed for a fixed term. Agency employment often affects unskilled workers and other high-risk groups on the labour market, and also frequently foreigners. These are groups of people who do not have many other options on the labour market.¹¹ Unlike in-house employees they cannot join

¹⁰ Information about agency employment is taken from an ongoing RILSA project (will be published at the end of 2008).

¹¹ Another exception is skilled workers, in both the private and public sector. These workers are often able to negotiate better pay and wage conditions.

enterprise-level trade unions, because by law they are the employees not of the employer they work at but of the agency. Enterprise-level collective agreements therefore do not apply to them. Collective bargaining in the Czech Republic is most common at enterprise level.

By law both the agency and the employer are obliged to provide the temporarily assigned worker the same work and wage conditions as those of a comparable internal employee. The situation tends to be different in practice and cannot be effectively controlled. Labour-law relations overlap with commercial relations in the case of agency employment. Work inspectorates that oversee compliance with the labour law do not have legally prescribed access to all documents. Only the tax offices have access to the crucial commercial legal documents, but agency employment is an utterly marginal issue for the tax offices. In fact there is almost no effective control.

Taking on workers through an agency is advantageous for employers as it increases their flexibility and cuts administrative costs. In some companies, however, agency employees are not a small minority – they can account for up to half the workforce. The biggest problem with agency employment is the insufficient control over the comparability of terms. There is no legislation enabling effective control and the possibility of imposing high penalties for non-compliance with the terms of the law.

Employers regard agency employment as being to their advantage, as it enhances their flexibility (just-in-time labour) and makes it easier to employ foreigners. Trade union representatives take a negative view of the growth in agency employment. The trade unions often draw attention to the different working and pay conditions, referring to agency staff as “modern-day slaves”. In collective bargaining in some enterprises the trade unions fix a maximum limit for the percentage of the workforce that may be agency employees. At national level the trade unions are seeking tighter legislation on agency employment. A change to the law is currently being drawn up.

3rd1st4th Flexible forms of employment – insufficient possibilities

Flexible forms of employment can be divided into two groups. The first comprises shorter-term jobs or a shared job; the second comprises flexible working time, working time accounts, shifts, the compressed working week, or work from home, via the internet etc. The second category of flexible forms of employment is not particularly widespread in the Czech Republic so far.

Just 5% of employees **work part-time**. They are more commonly women (9%) than men (2%). The most common motives for part-time work are caring for a child, health reasons or study. 20% of part-time employees (1% of all employees) could be described as underemployed, i.e. they would like to work longer but cannot. **The level of underemployment more or less copies the situation on the labour market.**

Employers often refuse part-time work and other forms of flexible employment. Part-time work requires more administration and does not bring tax advantages. Part-time work is often rejected by the potential workers as well. While pay levels tend to correspond to the work time, the workload does not. Another disadvantage of part-time arrangements is the reduced opportunity for career advancement and less frequent participation in training and education organised by the employer. On the other hand, the advantage of part-time work is that it enables a good balance between family and working life.

3rd1st5th Duration of employment

The duration of employment at one employer has traditionally been relatively long in the Czech Republic. Before 1989 it was common that people stayed with the same employer for practically their entire life. Many people lost or changed their employer during the transformation period. This reduced the average time spent at one employer

to 7.5 years in 1995 (according to Labour Force Survey (LFS)). The average duration of employment in 2006 was nine years. The increase in the average duration of employment can be explained by several factors. The first is the end of Czech economic transformation, which had been characterised by mass dismissals. A second aspect was the growth in unemployment. While the rate of unemployment was 4% in 1995, by 2005 it had risen to 8%. Employees were therefore less willing to change jobs.

In Czech society there are two categories of employees in terms of the duration of employment. People who have worked for more than 10 years at the same employer are usually older people who prefer a long-term job and job security. By contrast, young workers change employers more frequently and demand things like the opportunity for career and professional advancement, training etc. Younger workers who are dissatisfied with the working conditions therefore leave their employer (in the knowledge that it will be relatively easy for them to find work), while older workers are more hesitant. The high rate of unemployment among the over-50s and lower educational qualifications are good reasons for staying with the existing employer. Older workers thus have a worse bargaining position with their employer and often tolerate worse working conditions.

3rd1st6th Labour market policy

In the period under scrutiny, labour market policy in the Czech Republic was focused primarily on the **passive** part, i.e. paying out unemployment benefit. Unemployment benefit is paid out for a period of 6 months and is fixed at 50% of previous wage for the first three months and 45% for the remaining three months 45%¹². The long-term unemployed are also entitled to unemployment benefit, provided they take part in some retraining course¹³. The level of unemployment benefit is considered by experts to be commensurate and suitably set up, as it does not prevent a change of employment and does not support long-term unemployment. However, the situation after 6 months is criticised, as the unemployed can no longer claim unemployment benefit but are entitled to social contributions. Although these are means-tested, in many cases they have the same or higher value than unemployment benefit and even, in some cases, the minimum wage. That mainly affects low-skilled workers whose partner is also unemployed. The "unemployment trap" is usually mentioned in this context, whereby these unemployed people are not motivated to accept employment that may be low-paid but matches their qualifications and proficiency (see chapter 3.7. and 4.1.4).

The conditions unemployment benefit is paid out under have changed since 2004. Stricter conditions now apply to claiming unemployment benefit. Entitlement to unemployment benefit is gained when at least 12 months have been worked in the last 3 years, whereby a maximum of 6 months' study may be counted. School-leavers are thus forced to find a job more quickly. In practice, therefore, unemployment among school-leavers fell¹⁴. The second major change effective since 1.1.2007 is the stricter rules for claiming social support. The subsistence minimum is reduced, by roughly two-thirds, to the "existence minimum" for long-term unemployed people who do not cooperate with the labour offices (not looking for work, refusing retraining...). This change is meant to reduce the number of people who consistently avoid the legal labour market.

Active labour market policy (ALMP) was neglected throughout the 1990s, with the focus mainly on direct job creation. In connection with EU accession ALMP has started to feature more strongly, even so spending on it is still just 0.1% of GDP, whereas the EU average is around 0.5% of GDP¹⁵. But it is not just the level of spending that is inadequate; the approach and focus of ALMP are also insufficient. ALMP programmes focus mainly on subsidised support for employment and creating new jobs,

¹² Unemployed people over the age of 50, or 55, receive benefit for 9, or 12, months after losing their job.

¹³ In December 2006 unemployment benefit was paid out to 29% of all claimants.

¹⁴ Before 2004 school-leavers could claim unemployment benefit. But it was not only the cutting off of unemployment benefits that reduced unemployment among school-leavers. Since 2004 school-leavers can be employed on fixed-term contracts.

¹⁵ About 22% of the unemployed participate in some APMP measure.

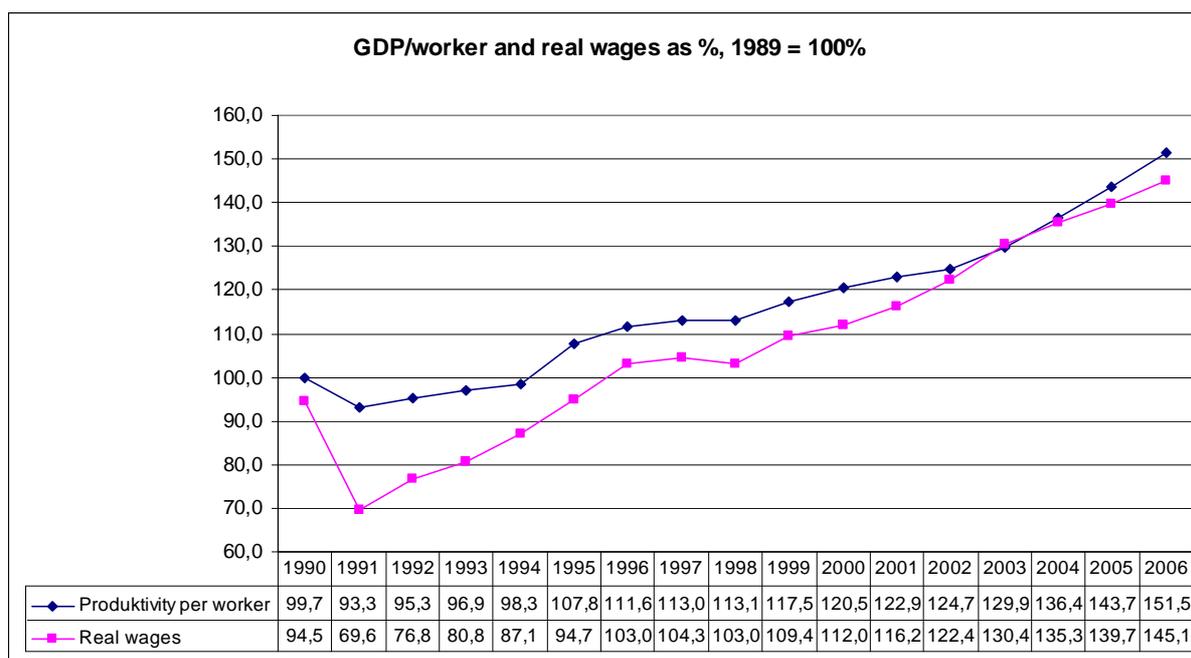
not retraining, i.e. changing the qualification structure of the unemployed. But unemployment in the Czech Republic is to a large extent structural in nature and the current sharp fall in unemployment is caused by the fast growth of the Czech economy.

Besides the aforementioned shortcomings, ALMP is quite effective in its impact on employment. Taking part in some ALMP measure significantly shortens the duration of unemployment. There are other positive effects too, mainly the social inclusion of unemployed people participating in ALMP.

3rd2nd Wages (Tomas Kozelsky, Ing.)

3rd2nd1st Real wages' dependence on work productivity

The primary impulse enabling wage development in the transformation period was **price liberalisation** at the start of 1991. The sharp fall in economic output and nominal wages' delayed reaction to sharp price growth (in 1993 the consumer prices level was 230% of that in 1989) resulted in a 1/3 fall in real earnings, with GDP falling by 12%. This created a transformation reserve in the real level of wages ("wage cushion"). In the following years real wages balanced out this one-off compression. For more information see the table, Main economic and social indicators 1990 – 2006, in section 2.2.



Source: Czech Statistical Office, statistical yearbooks, RILSA calculation

Table 1: Productivity (GDP / worker) and real wages - annual change

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Productivity	annual change in %	-0.3	-6.5	2.2	1.7	1.4	3.3	3.4	1.2	0.5	3.9	3.8	1.9	1.9	4.0	5.7	5.8	5.5
	annual change in %	-5.5	-26.3	10.3	3.7	7.7	8.6	8.8	1.9	-1.2	6.1	2.6	3.8	5.3	6.6	3.8	3.2	4.0

Source: Czech Statistical Office, statistical yearbooks

In 2002 and 2003, before the Czech Republic joined the EU, the social partners' false expectations of increased inflation were reflected in high rates of wage growth being negotiated without any allowance for increased productivity. It is only in later years, when economic growth has reaped the fruits of the structural changes of the 1990s at macro and micro level, that economic growth and real earnings dovetailed. The **strengthening** of the Czech Crown and convergence of the price level with the levels in Germany and Austria have meant that the parity earnings level in the Czech Republic is

also growing fast. Wage growth outstripping productivity, combined with the high tax on labour (taxes and insurance), has slowed down employment growth. Relatively high growth can be observed in the Czech economy since 2003, but unemployment did not start falling until 2005.

Labour law and tax legislation define wages and pay as rewards for work and, in line with the Charter of Fundamental Rights and Freedoms, admit no form of discrimination. The social situation of employees and their families outside the wage fixing system are dealt with by the fiscal system¹⁶ and social security funded out of public budgets. Consequently, Czech statistical services do not scrutinise nominal and real earnings level according to types of employee households.

3rd2nd2nd Long-term constant wage share

Wage development is reflected in the stagnation of wages' share of GDP around 32% (33% in 1995, 31.7% in 2000, 32.3% in 2006). Low wage costs keep Czech companies competitive on the European market. Czech companies are export-oriented and low wage costs can make them competitive. The low cost of labour was influenced by the economic policy of cheap labour. The state budget covers costs associated with the social situation of employees and their families. Czech unit labour costs at purchasing power parity¹⁷ are half that of the EU level, with a slight growth tendency due to the strengthening of the Czech koruna.

3rd2nd3rd 1/5 of employees on low wages

The proportion of employees on low wages¹⁸ was around 15% in 1996; it rose above 16% in the year 2000 and was around 19% in 2006. The development of these proportions reflects the slower growth in earnings in unskilled jobs, specifically ancillary work in services, trade, forestry and agriculture. In the majority of cases, low-paid work is taken by people for whom wages are a second income. This mainly applies to people on old-age pension or collecting partial or full invalid pension. That is because they continue working and remain socially active and useful.

The number of people on low wages is also increased by the rising price of skilled labour, which pushes up average wages and thus also the low wage boundary (see figure "Differentiation of earnings by quantiles in CZK in the Czech Republic" in section 3.2.5, which shows clearly the increase in the 19th pentile compared to the 1st pentile). Young people leaving secondary vocational schools and secondary schools can also be at risk of low wages. The question of low wages is not monitored in any detail in the Czech Republic. A special survey would be required to collect the relevant data.

The Czech Republic has a relatively generous social system. If a household's income falls below the legally recognised subsistence minimum, its income is topped up to this level. According to Eurostat, 8% of the population falls below the poverty line (60% of the median wage); these are mainly households where no one is in work (see chapter 3.7.4).

¹⁶ Net earnings are CZK 1000 higher among employees providing for 2 children than for childless employees.

¹⁷ Proportion of employees' compensations per unit of GDP per worker at PPP

¹⁸ 60% of average wage

3rd2nd4th Minimum wage (2% of employees long-term on minimum wage)

The Czech Republic is one of those countries where the minimum wage is guaranteed by the government. The approach to the minimum wage derives from the economic policy of individual governments. The level of the minimum wage did not enable it to fulfil the expected social protection or economic motivation functions. The consequences of the lagging behind of the minimum wage and negation of its function were felt up to 1998. The nominal level of the minimum wage lagged substantially behind the dynamism of wage levels; its level compared to average wages fell sharply¹⁹, and the real purchasing power of the net minimum wage declined. Social benefits at the level of an individual's subsistence minimum gradually came to exceed the net minimum wage by as much as CZK 1,111 in 1998, including housing costs. That **increased the risk of the poverty trap**, and there tendencies for social unemployment and parasitism. Social benefits effectively became subsidies to employers for low. In effect, the conditions were put in place for wage discrimination of foreigners and social/wage dumping. The revitalisation of the minimum wage implemented since 1998 has been a key component of a policy designed to increase the motivation to work and obtain legal earnings and to bring a move away from the abuse of support and social benefits. In 2006 the minimum wage was 35% of average earnings in the Czech Republic (**see table in chapter 4.1.4**).

Roughly 2% of employees currently work long-term for the minimum wage. Given the low earnings level in the Czech Republic and low proportion of costs accounted for by compensations to employees (compensations to employees account for on average 20% of costs and wages and pay just 15% of costs), the minimal wage has not so far influenced the behaviour of participants in the market or the valuation of work in the Czech Republic. By contrast, the available information draws attention to abuses of the minimum wage in catering, services and commerce, where employers only declare part of the wages they pay, and thus also avoid tax records and social insurance, so that actual incomes are higher than declared earnings (entitlement to social security payouts is minimal in the case of unexpected situations).

Table 2.: Minimum wage as a percentage of the average wage in the Czech Republic

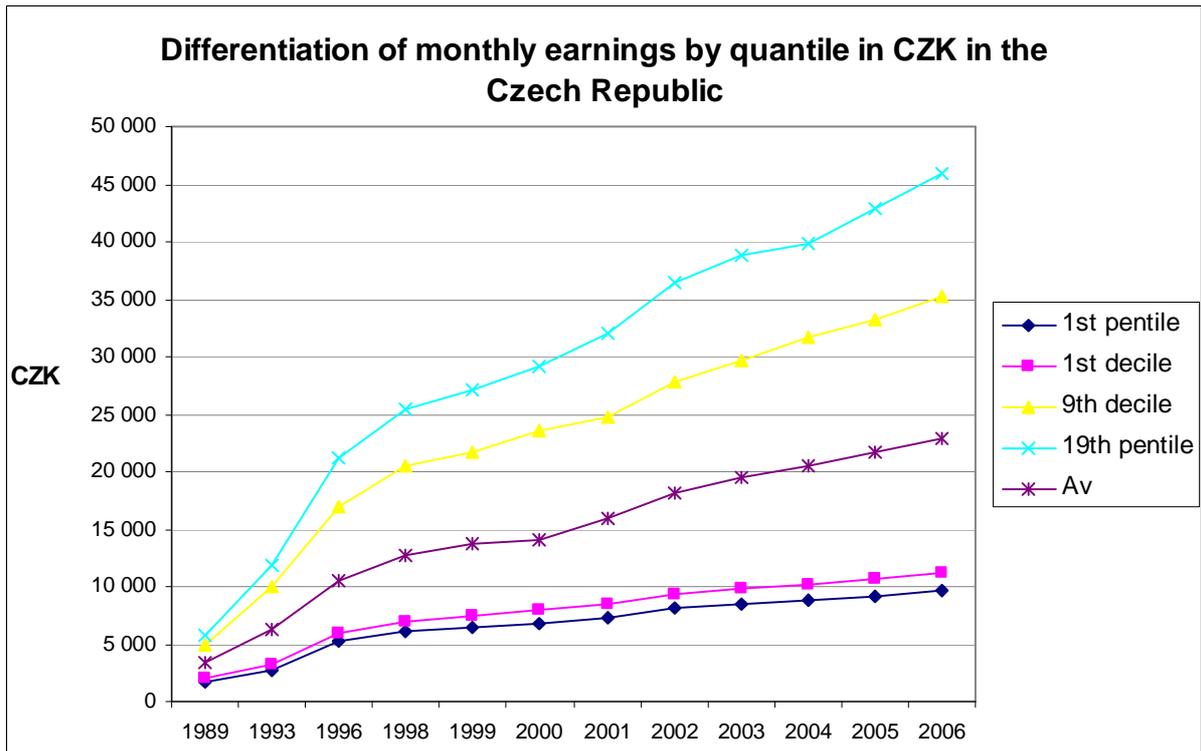
1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
52.7	47.4	37.8	31.9	26.9	25.8	23.4	22.7	28.4	33.4	34.1	36.3	37.0	37.5	38.2	39.7

Source: Bulletin No. 22, RILSA, 2007

3rd2nd5th Wage differentiation – the long-term decile average is around 3

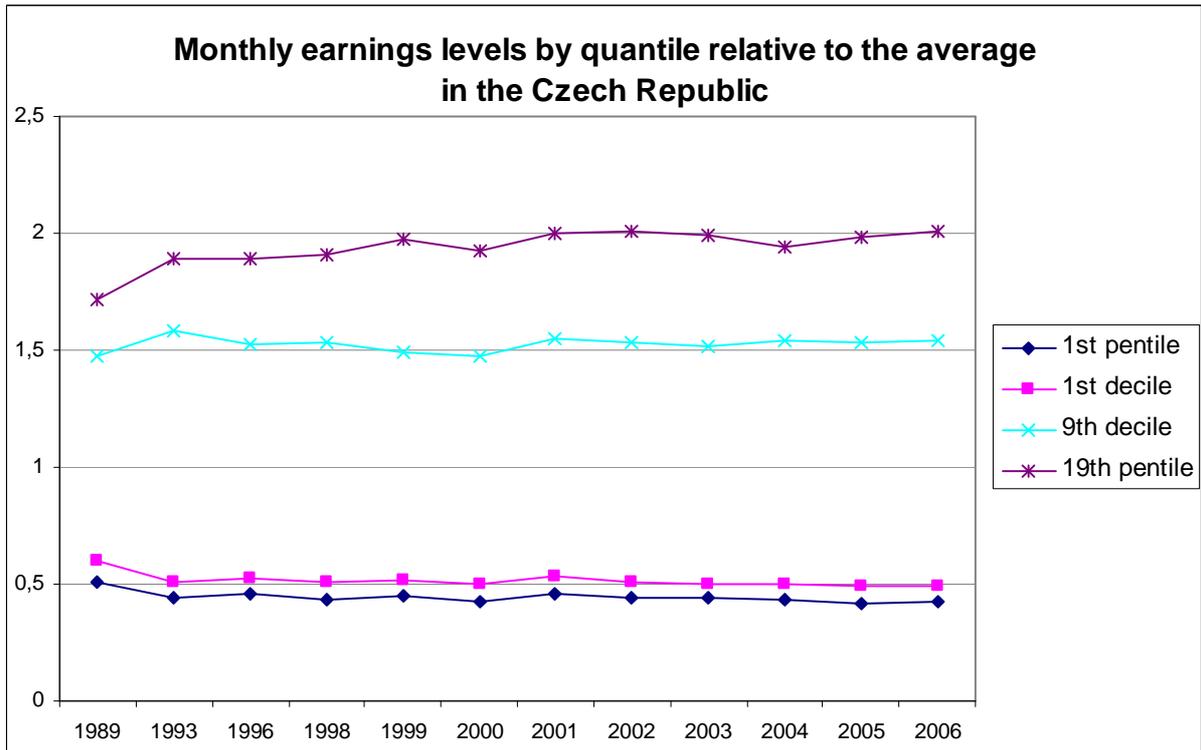
The basic proportions of wage differentiation were established in the years 1990-1993. The decile rate (ratio of last to first deciles), which was around 2.45 in 1989, became 3.12 in 1993, 2.96 in 2000, and 3.13 in 2005 and 2006. Real earnings grew by 27.5% in the first decile and by 63% in the ninth decile since 1989. 2/3 of earnings have constantly remained below average. These changes are depicted in the following graphs.

¹⁹ The ratio between the minimum wage and average earnings was 53% in 1991, falling to approx. 23% in 1998



NB: Av = average wage

Source: Czech Statistical Office, statistical yearbooks, RILSA calculation



Source: Czech Statistical Office, statistical yearbooks, RILSA calculation

The wage differentiation parameters in the Czech Republic are close to the situation in the majority of EU member states. Earnings differentiation is characterised by changes in average wages in socio-economic structures. The following basic features can be identified:

a) **The qualification differential is increasing.** A much higher earnings level is being created for work requiring university education (university graduates' earnings exceed the wage level in jobs done by workers with basic education almost two-fold); wages in jobs requiring complete secondary education are also above average. The earnings gap between manual and non-manual professions has widened sharply.

b) **Structural and qualifications changes** and the conditions of sectoral structures have all been reflected in changes in the levels in and mutual ratios between economic sectors. The tertiary sector became the leading sector in terms of earnings; there was dynamic pay growth in commercial services (financial services, information technology, business-to-business services); conversely, wages in a considerable part of public services (trade and catering²⁰) lagged behind. Structural changes, low return on production factors and fluctuating economic growth led to a reduction in the secondary sector's wage position. Another factor in the primary sector's earnings decline was the low price level in the Czech Republic.

c) **Pay in the public sphere** has traditionally lagged behind the private sector; if pay levels in the public sector were 97% of those in the private sector in 1996, in the year 2000 they had fallen to 87%, only to rise again to 97% in 2006. The low reward for qualified work in healthcare and education is the subject of heated discussion between professional and trade union organisations and the government, often accompanied by various coercive actions and lobbying. The government used the development of pay in the public sector in the period under scrutiny to regulate wage development. Collective bargaining in the public sector merely deals with working conditions, not wages. Until the economic upturn in 1999 the **private sector** adapted flexibly to the state's pay policy. These factors have resulted in a public sector pay policy that is inconsistent and lacking conceptual foundations, because it is dependent on the political will of the governing political parties. The close link between changes in public sector pay and the behaviour of the private sector will be tested out by the state budget stabilisation policy in coming years that envisages a sharp dampening of pay dynamics. However, the social partners and analysis expect that the exhaustion of capacities in available labour will mean that high wage dynamism will remain in the private sector, tied to work productivity.

d) Viewed **territorially**, the gap between the capital Prague's earnings and other regions is growing constantly. This reflects the high qualification structure and constant expansion and good performance of the Prague economy²¹. Part of the Central Bohemian agglomeration possesses the same earnings characteristics.

The fixing of the price of work is not yet fully consistent with European standards. The low scale of collective bargaining (according to CZSO, about ½ of employees are governed by collective agreements²²) and the absence of binding trade union or regional tariff agreements enable employers to pursue their own wage policy within the confines of the applicable legislation; different employers offer different pay levels for the same work, depending on the momentary situation on the local market. The law forbids wage discrimination in the context of a single employer.

²⁰ Businesses with more widespread "cash in hand" and "tips", i.e. actual incomes from dependent work are high above the level of declared earnings.

²¹ Prague is the home of head-offices of large organisations, research and scientific facilities and top-level administrative and political authorities. It is a widespread phenomenon that earnings in a country's capital city are higher than elsewhere.

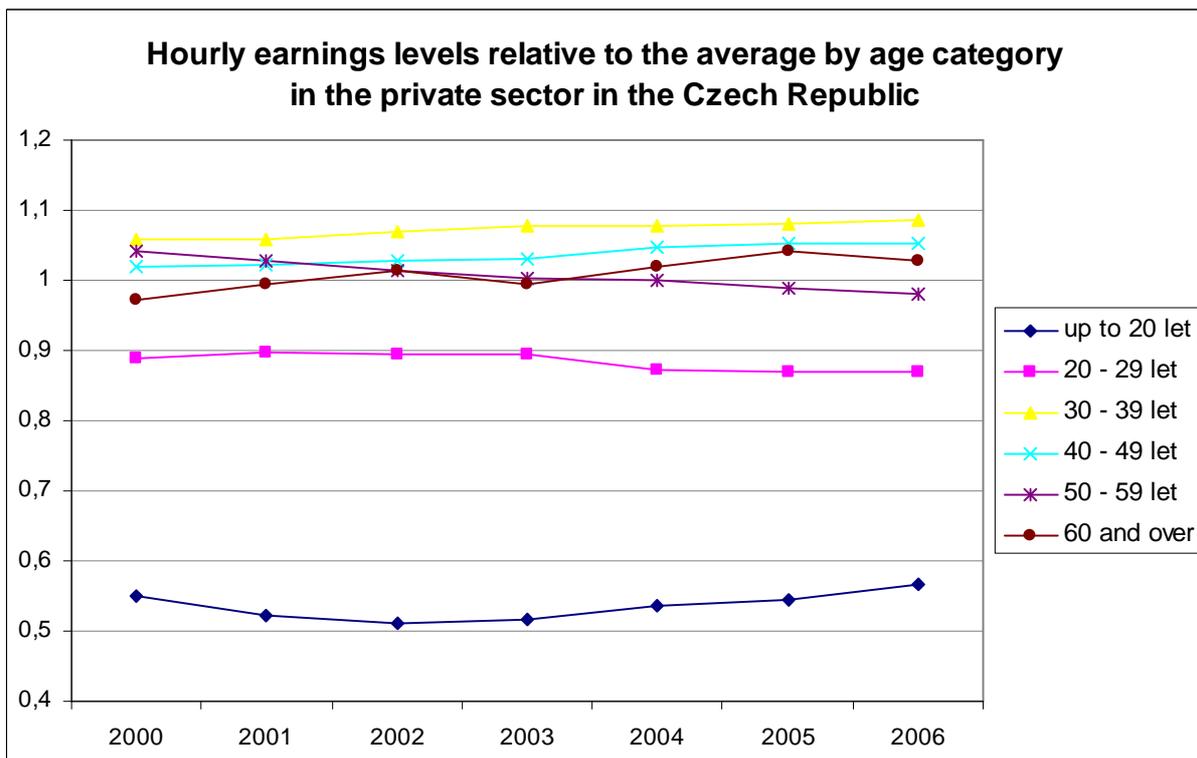
²² If a collective agreement is signed in an enterprise it also applies to union non-members.

3rd2nd6th Earnings discrimination

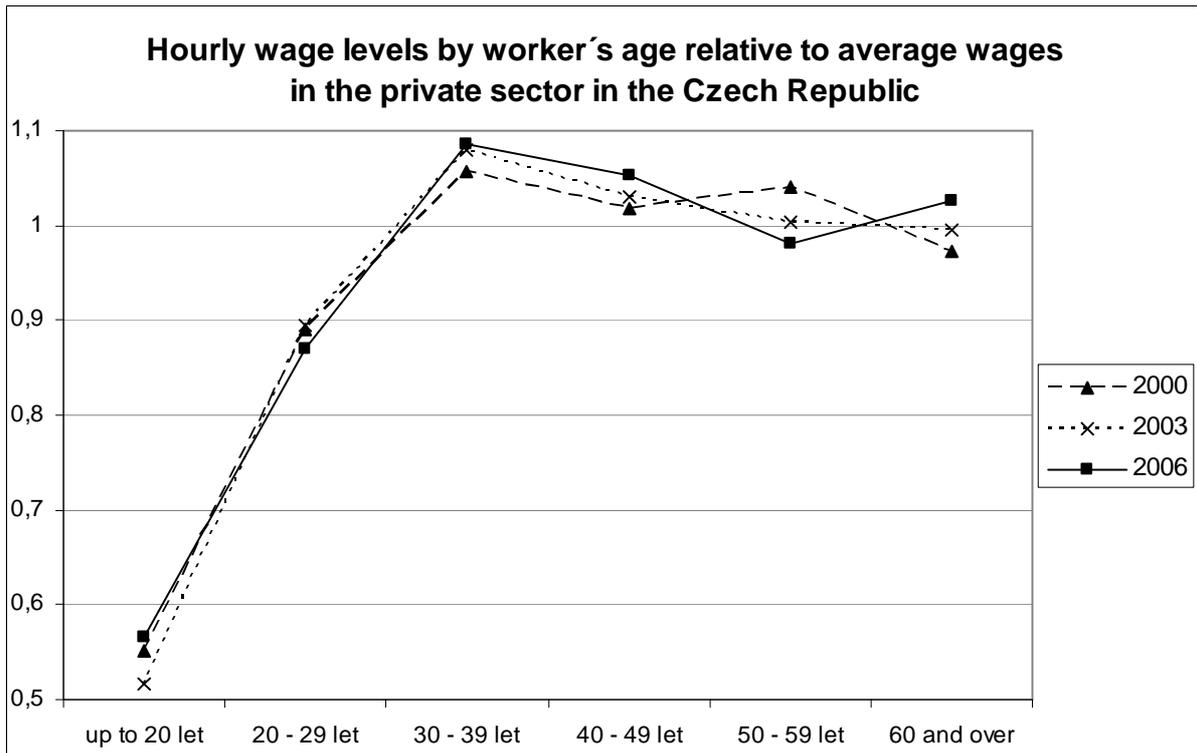
The lack of uniformity in the way work and pay conditions are negotiated and collective negotiation of wage conditions at enterprise level rather than at sectoral level have led to the atomisation of the price of work on the market in the Czech Republic. Existing enterprise-level collective agreements and individual contracts mean that the same work is rewarded differently in different companies in the same sector and from region to region. This “flexibility of the price of work” does not offer any instruments to protect against social dumping. There are currently no instruments that would eliminate:

- discrimination against women;
- higher pay in the private sector than the public sector;
- the government’s inconsistent pay policy and undervaluing of work in the public sphere, which destabilise the labour market;
- earnings differences between regions that result from employers’ monopoly position on the local labour market;
- unfair competition from “ostensible self-employment” on the market;
- foreign workers’ willingness to work for extremely low wages (there is no monitoring of the wage gap between foreign/domestic).

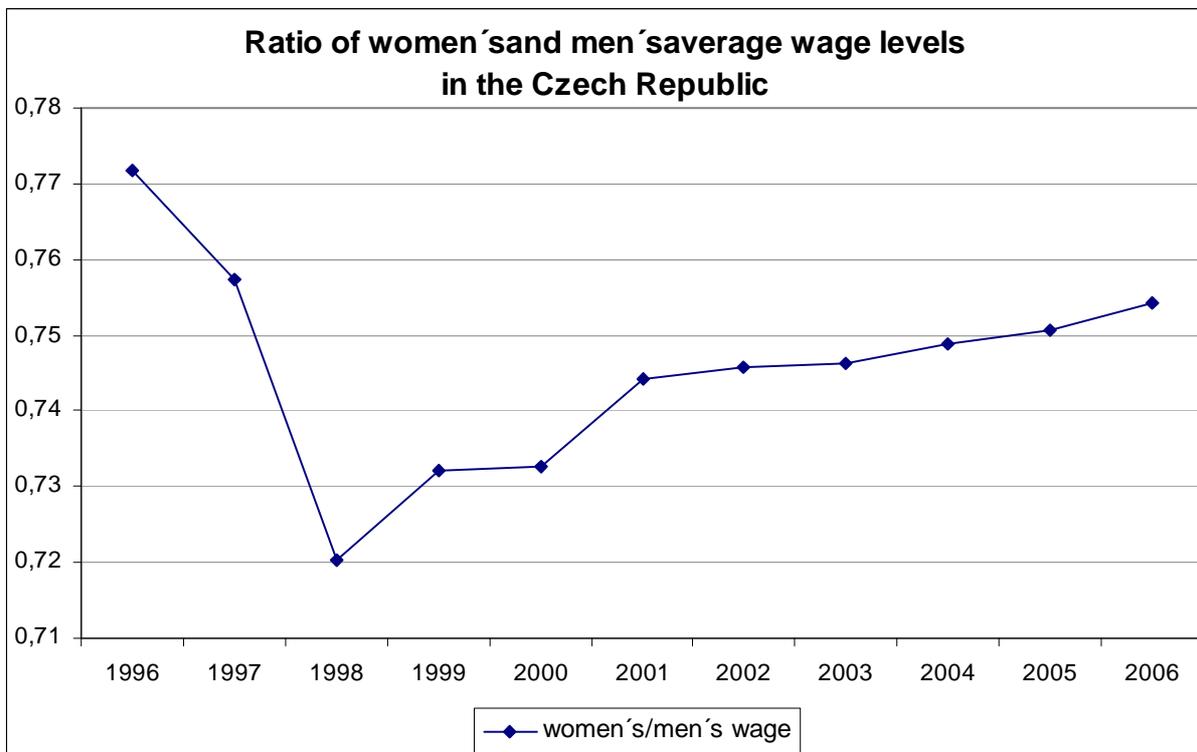
Czech law requires employers not to differentiate between work contracts in terms of part-time and full-time work but in terms of work performance alone.



Source: ISPV (Information System on Average Earnings) 2000 – 2006, own calculations



Source: ISPV (Information System on Average Earnings) 2000 – 2006, own calculations



Source: Czech Statistical Office – Average gross monthly wage as per principal KZAM occupation classes and employees' age and sex (1996-2001), Structure of Employees Wages 2002 -2006, own calculations

3rd2nd7th Wage structure (where 1/4 of earnings depend on individual performance)

Labour law and tax legislation define wages and pay as rewards for work and, in line with the Charter of Fundamental Rights and Freedoms, admit no form of discrimination. The social situation of an employee and his family is dealt with by social security funded from public budgets. Wage or pay structure corresponds to this principle: roughly 2/3 falls to the tariff valuation of the performed work (the nature of the work, physical and mental demands, qualification requirements); more than 1/4 (above-tariff components – flexible components) depends on the quality and quantity of work done, possibly in difficult working conditions; and the rest falls to compensations on the grounds of paid leave (in particular holiday and public holidays). The size of the tariff is determined by collective bargaining or individual contracts between employer and employee. The lowest level of wage tariffs is laid down by the labour code. Every wage must be negotiated in writing and in accordance with the labour code before the employee starts work. The tax laws do not enable the practice of incorporating profit sharing in wages. Nevertheless, we sometimes encounter a share of a company's value added or turnover. It is usually senior management or commercial salesmen who have incomes derived from added value or turnover are usually.

In the public sector wages are determined by the law and legal regulations. These proportions have remained at approximately the same level throughout the period under scrutiny.

Motivating employees in areas other than that of direct work performance can only be done through non-wage rewards. However, only large, mainly transnational organisations use different systems of non-wage benefits.

3rd2nd8th Wages and other working conditions

Full-time/part-time/fixed-term/indefinite-term

Fixed-term work or part-time work does not of itself determine the size of wages, but statistical differences can be identified. The statistical differences are caused by the different nature of part-time/full-time work or of fixed-term/indefinite-term jobs. Part-time and temporary employment is often linked to lower-skilled work.

Shortening x prolonging working time

Approx. 5% of the workforce work part-time, and 20% of these can be classified as underemployed. In the ISSP 2005 (Work Orientation) representative survey more than half of the employed respondents replied that they were satisfied with the amount of time they work. 34% would like to work more for more pay.

Social dialogue

It is estimated that approx. 30% of employed workers are trade union members. However, collective bargaining also covers union non-members if trade unions operate at a given enterprise. Collective bargaining applies to roughly half of the workforce. For more information and tables see section 4.1.11.

3rd3rd Working time and work organisation (Tomas Soukup, Mgr.)

3rd3rd1st Working time

Full-time work

The maximum prescribed working week is 40 hours a week, usually spread over five working days (most often Monday to Friday). By law those who work on two-shift and three-shift jobs and mine workers have a shorter maximum working time.

According to the Labour Force Survey, the average **usual full-time working week** is 42.7 hours a week, with men working on average 3 hours a week more than women. Part-time work is not particularly widespread in the Czech Republic (just 5% of employees). Although the usual average working time has decreased, this is more a case of an administrative reduction. The law that has applied since 2001 provides that lunch break is not counted in working time. The most hours a week are worked by male entrepreneurs (49.2 hours), men in general and people living in the capital city Prague. In sectoral terms, people work longest in construction, accommodation and catering in restaurants, and in services. Those employed in education, the processing industry and mining work the shortest weeks.

While the Czech Republic has a greater usual average working time than is customary in most EU countries, the **actual full-time working week** is similar to other countries'. In 2006 it was 39.3 hours (according to CZSO). One of the important reasons that actually worked time is less is the large number of people not working for sickness reasons, as well as the increase in holiday time.

Table 3 Average number of weekly hours of work in main job, full time work

	Usual week		Actual week*	
	Men	Woman	Men	Woman
1997	46.3	42.9	45.9	42.1
1998	46.2	43.2	46.0	42.3
1999	46.0	42.9	46.3	42.7
2000	45.9	42.9	45.5	41.9
2001	43.6	40.9	43.6	40.1
2002	44.0	41.0	43.8	40.0
2003	44.5	41.1	44.1	39.9
2004	44.3	41.0	44.7	40.6
2005	44.0	41.1	44.1	40.6
2006 - Eurostat	44.0	41.1	43.8	40.4
2006 - CZSO	43.9	41.0	41.2	36.7

Source: LFS, Eurostat

* Data for actual week significantly differs between Eurostat and Czech statistical office.

Absenteeism

In 2003, the average duration of incapacity for work during the year was 28.6 days in the Czech Republic, 14.8 in Germany, 12.5 in Austria and 7.8 in Great Britain (source: OECD). In addition, the average duration of incapacity for work is increasing. In 1995 the average duration of incapacity for work was 24.4 days, while in 2005 the average duration was 32.8 days (source: Ministry of Labour and Social Affairs). The highest absenteeism rates are found among low-wage employees, where the difference between pay and sickness benefit is minimal. As the available data do not suggest that the population's health is in decline (the reverse is true – life expectancy has increased by 3 years in the last decade), the cause evidently lies in the inappropriately small gap

between the lowest wage levels and social benefits; some authors also blame the system by which doctors are paid and their responsibility for issuing sickness notes (Problems of the Labour Market and Employment Policy, 2003). According to a RILSA calculation, an effective solution would bring a gain of at least 3% of the stock of working hours, which equals 3% of the workforce. In general terms, therefore, resolving excessive absenteeism on sickness and injury grounds represents a labour supply reserve of approx. 150,000 people.

The healthcare system underwent several reforms during the past year. One new measure is that for the first 3 days of sickness the patient doesn't receive income from sickness insurance. From 2008 onwards, payments will be levied for visits to the doctor. These reforms are intended to reduce the abuse of the health system. Other social system reforms seek to reduce social benefits and thus increase the difference between benefits and low wages.

Young people

Young people enjoy special status. Up to 2006, under-16s could not work more than 33 hours a week. The new Labour Code (valid since 2007) raises the age limit to 18. Minors under the age of 18 may work at most 30 hours a week. This provision results in young people (including students in temporary jobs) being excluded from the labour market. Employers are not willing to change their working and organisational procedures and prefer not to employ young workers. A return to the age limit of 16 is therefore currently under consideration.

Part-time work

Just 5% of employees work part-time, women (usually mothers with small children) more frequently than men. 20% of part-time employees would like to work more. The average usual working time in part-time jobs is 22.9 hours a week; the figure has fallen slightly in the last few years. As with full-time work, the actual working time is on average 2 hours shorter. It is interesting that while men in full-time jobs work longer, in part-time work it is women who have longer working weeks, roughly 1 hour a week longer.

Overtime

The overtime situation has changed a great deal since 1995. Whereas overtime was more common in 1995 (roughly 24% of employees), in 2006 overtime work affected just 11% of employees, yet the average number of overtime hours increased, from 8 hours in 1995 to 12 in 2006. Approximately 2/3 of overtime work was rewarded. Overtime is mainly found among men, people working in senior positions in a firm (with subordinates) and people with a higher level of education. What is more, people with a higher level of education do not usually get paid for their overtime work. For managers, overtime work is often expected to be done as part of the job and for no extra pay. The situation differs from sector to sector and depends on the size of company. Public sector workers work less overtime than private sector employees.

Table 4 Overtimes, full time work, 2006

	Muž	Žena
People don't working overtimes	85%	93%
People working overtimes - total	15%	7%
People working overtimes – all or some hours paid (from total employed)	10%	4%
People working overtimes – no overtime hour paid (from total employed)	5%	3%
Average number of overtime hours per 1 person working overtime	11.1	8.8
Average number of paid overtime hours per 1 person working overtime	7.6	5.3
Average number of unpaid overtime hours per 1 person working overtime	3.4	3.5

Source: LFS, own calculation

Employees in the Czech Republic can thus be divided into **two groups**. People with a lower level of education and in lower positions work on average fewer hours, make more frequent use of incapacity for work, and do less frequent overtime work, which is usually paid. By contrast, employees with a higher level of education and in higher positions work longer and are less often absent. As regards overtime work their position is getting worse, despite the fact that the law permits a maximum of 8 hours overtime a week and 150 hours overtime a year. Employers therefore do not order overtime work, they merely strongly demand that their employees complete their tasks.

According to the results of ISSP 2005 (Work Orientation), 22% of workers would like to work shorter hours. If their pay was to be cut proportionately (work fewer hours and earn less), only 3% would be in favour, however. By contrast, 34% of workers would like to work longer for more money. More than half the working population is satisfied with content with the current state of affairs.

3rd3rd2nd Work organisation

Work organisation is gradually moving towards greater flexibility. Whereas at the start of the 1990s usual working hours were from 6 a.m. to 2:30 p.m. for the vast majority of employees, the start of the working day is more diverse at present. Employers required 79% employees to work a fixed working day in 2004 (Labour Force Survey, Ad hoc module). Fixed working hours are required of manual labourers and low-skilled workers in particular. Fixed working hours are required of women more than men. That is due to the nature of their work. Professions like clerk, cash teller, nurse, assembly line worker, i.e. professions where the work has to be coordinated with other workers, is still more the domain of women than men.

Shift work

Approximately 30% of employees work shifts. The number of shift workers has risen in recent years (in 2001 it was 26%). The higher incidence of shift workers is related primarily to the economic growth that has taken place during that period and, second, to the creation of new jobs requiring shift work. Besides traditional sectors like mineral raw materials extraction, the processing industry or healthcare, the number of shift workers is also growing particularly fast in retail and services. The proportion of men and women is roughly equal.

According to the results of the Labour Force Survey 2004, 81% of workers did not mind doing shift work; shift work suited women less than men. Shift work least suited women in shops and in the processing system, i.e. in sector where shift work is most commonly found.

Atypical hours and other forms of flexible employment

Working "unsocial" hours means working in the evening, at night and on weekends. 55% of employees work unsocial hours at least once a month. Unsocial hours most commonly means Saturdays, when at least 46% of employees work once a month. Evening work is done at least sometimes by 42% of employees; work on Sundays by 32%; and night work by 21%.

Working atypical hours is much more common among men than women, because women looking after children try to avoid this kind of work.

There is no consensus in the Czech Republic as to whether working on weekends or at night constitutes work is atypical hours or unsocial hours. Under Czech law, employers have to pay bonuses for work done in the hours of night, on Saturdays and Sundays. The bonus must be at least 10% of the employee's average earning. Before 2006, bonuses for night work and weekend work were 25%.

Other flexible work forms are not customary in the Czech Republic.

Debate between the social partners has shown that banning work in unsocial hours completely may cause considerable problems, not just to employers but to the entire public as well. A better solution would therefore seem to be regulating work in atypical hours by prescribing a maximum number of consecutive shifts and, above all, through bonuses. The role of the state and trade unions should be one of monitoring and checking whether the terms of the law are respected in practice.

Table 5 Arrangement of working time by sex, in %

	fixed	shifted	flexible - hours	flexible - days	individual agreement	other
Women total	81.6	3.6	7.6	2.6	2.9	1.9
Men total	76.6	4.8	7.4	3.3	5.1	2.8

Source: Work Organisation and Arrangement of Working Time according to the results of Labour Force Survey ad hoc module 2004, Czech Statistical Office

For more information about work / life balance see sections 3.4. and 3.9.4.

3rd4th Working rhythms and stress at work (Ales Kroupa, Mgr.)

3rd4th1st Work organisation, working rhythms and stress

The end of the centralised command economy brought a whole series of changes to the enterprise sphere: changes in legislation, property relations and the economy in general. Market economy brought escalated demands on quality, service, short delivery times and minimisation of material inventories. At the pan-societal level there was also a gradual shift of the workforce into the services sector, increased use of new technologies, changes in family behaviour and gradual democratisation of social relationships. To a greater or lesser extent these changes influenced the way companies were run, their organisational structure and the organisation of work, including an increase in flexible forms of work, and led to new demands on the workforce. The main new demands were the need for further professional growth, greater flexibility, and greater responsibility delegated to workers.

Changes in the organisation of work at enterprise level and their impacts on health, including stress, have been the subject of very limited systematic research in the past years in the Czech Republic. Expert debate, including the publication of research results affecting the issue of stress at work, is also minimal. As a rule, this issue has merely been a marginal aspect of research, which is reflected in the scope and depth of the available information. On the other hand, work organisation and stress receive fairly frequent coverage in special supplements of national newspapers, which pay particular attention to the work/life balance or their relationship to the mental demands placed on management workers. The issue of stress is also mentioned frequently in managers' manuals, which are becoming more and more widespread.

According to EWCS²³, the Czech Republic, like the majority of European states, registered an increase between 2001 and 2005 in the number of workers describing their job as having a high work intensity, judged by their agreeing with the statement that they are required to work at very high speed and to tough deadlines (Fourth 2007, pp. 58-59). 47% of workers had to work at high speed in 2001 and 60% in 2005. Work under pressure of deadlines was mentioned by 68% of workers in 2001 and 71% in 2005. The need to work at high speed and also to interrupt work due to external circumstances was registered more frequently among women in general. Additionally, women less often claim that they are able to influence their working time. Conversely, men's work more often required them to work to tough deadlines, but also allowed them much greater autonomy to influence their working time – work breaks and taking leave (Hnilica 2002, p.17).

In line with the said findings about the increasing intensity of work, in EWCS, 83% of workers answered that they had enough time to get the allocated work done in 2001 and 60% in 2005. The increasing intensity of work is linked to bad planning of work duties and poor use of working time, as signalled by a 2004 study by Czipin & Proudfoot Consulting. The study estimates that a large percentage of working time is wasted by Czech employees. Czech employees spend as much as 38% of their working time on non-work activities, according to this study (Hnilica 2002, p.17). On the other hand, the study found that the use of working time improved year-on-year in the countries under scrutiny, including the Czech Republic. The best results in the use of working time are registered by employees in telecommunications firms, motor works and transport companies, i.e. in supranational companies owned largely by foreign capital. It is still open to debate, therefore, whether high work intensity leads to increased work stress or,

²³ European Working Conditions Surveys (EWCS) were organised in the EU in 1991, 1996, 2000, and 2005. In 2001 the survey only covered candidate states. The survey is carried out by the European Foundation for the Improvement of Living and Working Conditions

considering the considerable reserves in the use of working time, has perhaps a positive influence on how working time is used.

3rd4th2nd Impact of the nature of work on workers' mental and/or physical health

During the past ten years, 20% of surveyed workers, in various surveys, have concurred that work has a negative influence on their health. However, the "Working Conditions" survey from the year 2000 looked at the influence of the nature of work on workers' health from several angles. The primary subject of investigation was the link between the incidence of both mental and physical difficulties and work autonomy (the possibility of selecting work methods, the sequence of tasks, the pace of work and the distribution of working time), senior position, work to tough deadlines and at high speed, and monotony and routine at work. The subjectively perceived mental and physical problems were most commonly linked to those workers whose work takes place at high speed and to tough deadlines, according to this survey. An increased incidence of solely mental problems was registered among management workers. And physical health problems were frequently mentioned where the work was largely routine. By contrast, a low incidence of health problems, be they physical or mental, was registered among jobs characterised by a high degree of autonomy. Differences in the frequency of mental difficulties were not found between different professions. Similarly, there was no difference between men and women in the incidence of mental problems, with the exception of those women who described their work as presenting time difficulties (overtime and variable working time) (Vaskova 2002, p. 31). In these cases, given that caring for children and the home is mainly left to women in the Czech Republic, there is evidently a collision between working and parenting roles.

3rd4th3rd Work/life balance conflict – employers' attitudes

Numerous surveys have found that in most cases Czech women are exposed to a "double burden": besides caring for the family and the home, to maintain a particular standard of living they often also work full-time. There is little demand for part-time work, among either employers or employees. Programmes that would enable a better work/life balance are therefore highly necessary in the Czech Republic. Although this issue has entered the general awareness of employers, mainly thanks to an initiative by NGOs and trade unions and also a considerable number of government documents, not many firms have taken the step of putting similar measures into effect, such as flexible working time, compressed working week, work from home, telework or company pre-school facilities. Nevertheless, the situation with the lack of workers and the development of information technologies is constantly changing, and some efforts have been registered. The main barriers to introducing work/life balance programmes are perceived to be companies' fear of investing in programmes whose effect will only be appreciated in the longer-term outlook, as well as factors linked to work organisation (shift-based operation, irregular influx of orders, the nature of work where clients' requirements have to be adapted to etc.). Employers usually state that the insufficient implementation of work/life programmes is not the fault of problematic laws and regulations. Some barriers in the legislative field can be identified, however, mainly in the case of child minding facilities at the workplace. Very strict hygiene standards and regulations that prescribe, for example, the qualifications required of staff, require so much investment, administration and time that firms are not willing to set up child minding facilities (Dokulikova, Kroupa, Kyzlinkova, Nekolovova 2007). But here, too, the situation is changing. Parliament is currently debating an amendment of the trades licensing act that should simplify the conditions for establishing pre-school facilities (kindergartens and nurseries).

3rd4th4th Preventing the danger to mental health

National legislation seeks to prevent mental health risks for employees by requiring employers to inform employees as to what category their job comes under from the point

of view of factors injurious to health²⁴. Physical health factors are clearly defined by this legislation. By contrast, given the difficulties associated with defining mental factors, the law²⁵ does not include them among the influences that make performance of the work more difficult and thus define difficult working environment for the legal obligation²⁶ to provide extra pay for work in difficult working conditions. Preventive programmes organised by state administration, among other things, strive to prevent these factors from arising. One of these is a programme entitled "Health Promoting Companies" organised by the Ministry of Health of the Czech Republic. Under the programme, companies that voluntarily apply are assessed in terms of their compliance with criteria targeting a wide range of working conditions that are hard to legislate for. In particular, these are factors that bring an increased mental burden in connection with work in a situation where people find it hard to cope with work that is not consistent with their abilities. That comprises both work beyond the workers' abilities (overburdening) and work below his abilities. Another group of criteria serve to assess the work/life balance of employees, e.g. how the working hours of parents of small children are resolved or assistance from the company in difficult life situations.

Both trade unions and employers address the topic of the increased mental stress associated with work – they create and distribute educational and information materials among their members. For example, the recently issued manual entitled "Collective Bargaining, or Application of the Principle of Gender Equality in Practice" provides detailed information about and examples of possible commitments in collective agreements. The social partners' activities in defining national framework conditions for limiting the impacts of work on mental health have brought no results as yet. One reason is that in the case of the "Framework Agreement on Work-related Stress" from 2004 the social partners have not yet reached consensus on how to implement the agreement. According to representatives of the Czech-Moravian Confederation of Trade Unions (ČMKOS), the prevailing tendency is that this agreement is transposed via contracts on cooperation in the area of work-related stress concluded between the social partners²⁷.

3rd4th5th Examples of good practice

The currently higher birth rate and growing shortage of labour, especially skilled labour, means that the situation is gradually changing and firms are beginning to accommodate their employees' needs, both in caring for children and looking after their health. These are large, usually transnational organisations, mainly from the information technologies, telecommunications and transport sectors. As standard, these firms' employees are given the option of flexible working time, including the possibility of working from home. For example, IBM set up the "Maternity Leave Return Programme", under which the employee has access to the company intranet and remote corporate training and are even financially motivated to return to the work process earlier. As part of preventive care for employees' health, AIR PRODUCTS offers its employees the "Relax Please" programme, focusing on prevention of occupational illnesses and stress in particular. The programme is financed by European structural funds. The best corporate programmes to support the work/life balance and equal opportunities for men and women are judged, with national awards handed out under the patronage of the Ministry of Industry and Trade. Health prevention programmes are judged under the "Health Promoting Companies" programme.

²⁴ The detailed conditions of the categorisation of work are set out by Decree of the Ministry of Health No. 432/2003.

²⁵ Government regulation 567/2006 Coll.

²⁶ Act No. 262/2006 Coll., Labour Code, Section 117

²⁷ Contribution by vice-chairwoman of ČMKOS M. Kubínková at a conference entitled "Helping member organisations implement and monitor the autonomous ETUC-UNICE/UEAPME-CEEP framework agreement on workplace stress", Prague, 21-22 September 2006, meeting report.

3rd5th Safety and health (Hana Dolezelova, Mgr.)

The change in the distribution of labour in economic sectors, the decline in physically dangerous work, the creation of new professions, the increasing intensity of work and also the development of occupational safety and health policy and training programmes are the key characteristics influencing the safety and health of employees at the turn of the century in the Czech Republic. Both the absolute and relative number of occupational illnesses and work injuries have been falling since 1995. Similarly, the proportion of the Czechs who think their work jeopardises their health is falling. According to European Working Conditions Survey (EWCS) in 2001, 31% of respondents believed that their work jeopardised their health, whereas in 2005 the figure was 24%. At the same time, however, there is an increasing number of workers who admit having health problems caused by work (from 31% in 2001 to 36% in 2005). Back pain, muscle pain and overall fatigue are among the most frequently mentioned health impacts from work.

3rd5th1st Occupational illnesses and work injuries

Occupational illnesses are recognised by accredited occupational medicine facilities according to a legally defined list of occupational illnesses. Both the absolute and relative number (per 100,000 sickness insured persons²⁸) of occupational illnesses have fallen every year since the mid 1990s, with the exception of 2005. The number of occupational illnesses fell by more than half between 1996 and 2006. Men have for long been more at risk of occupational illnesses than women.

Sectors with the highest incidence of occupational illnesses include healthcare, veterinary and social work, and manufacturing of metal and metal structures. Mining of coal and lignite and extraction of peat have traditionally been the leading sector in terms of the number of occupational illnesses. But as this sector shrinks, the number of occupational illnesses also decreases. As far as occupations are concerned, craft and related trade workers, plant and machine operators and assemblers and elementary occupations are at the highest risk.

The most common complaints are injuries to the peripheral nerves of the limbs; skin ailments caused by physical, chemical or biological factors and tendon problems. These are followed by transferable and parasitic illnesses, asthma and pneumoconiosis caused by exposure to silica dust. (Institute of Health Information and Statistics (ÚZIS), Occupational Illnesses 2000, 2006)

²⁸ Calculations of work-accident rates and professional illness rates are performed by the Czech Social Security Administration. The figure comprises the number of persons with sickness insurance who can claim both healthcare and sickness benefits (approx. 93% of all persons in employment). See below for a more detailed explanation of the insured persons.

Table 6: Occupational illnesses in the Czech Republic, 1996-2006

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupational illnesses in total	2,541	2,376	2,111	1,886	1,751	1,677	1,600	1,558	1,388	1,400	1,216
<i>Of which:</i>											
Men	1,563	1,551	1,261	1,192	1,104	1,034	977	972	826	817	708
Women	978	825	850	694	647	643	623	586	562	583	508
Incidence per 100,000 sickness insured persons	55.2	49.1	44.1	41.1	38.7	37.4	35.8	35.1	31.6	31.5	27.5

Source: National Institute of Public Health, Overview of Occupational Illnesses Reported in the Czech Republic in 2003, 2006

Records of **work injuries** are kept by the State Labour Inspection Office – employers are obliged to report injuries to the Office whenever the employee is consequently on sick leave for more than three calendar days. Self-employed workers are not obliged to report any injuries. A long-term falling trend has also been observed in the incidence of work injuries. There were major decreases in 1999 and 2003. While the relative number of work injuries keeps falling, the absolute number has grown slightly in recent years due to increasing employment levels. 82,296 work injuries were registered in 2006, which is more than 22% fewer than in 1995. The declining work accident rate is also evident from the number of fatal work injuries; 281 were reported in 1995, but just 136 in 2006.

The highest-risk sectors are mining and quarrying, agriculture and forestry, construction and certain manufacturing industries. The percentage of employees in incapacity for work due to a work injury has for long hovered around 0.2%, but the average number of calendar days of incapacity for work per injury is increasing (from 36.0 in 1995 to 45.8 in 2006). One of the reasons is the substantial financial compensation provided for by law which does not motivate employees to return to work. (Czech Statistical Office, Incapacity for Work due to Illness and Injury in the Czech Republic for 2001, 2006)

Table 7: Incidence of work injuries in the Czech Republic, 1995-2006

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Work injuries	106,275	104,288	108,704	107,175	95,971	92,906	93,280	90,867	83,019	81,688	82,042	82,296
Work injuries per 100,000 sickness insured persons	2,260	2,270	2,250	2,240	2,100	2,060	2,080	2,030	1,870	1,860	1,850	1,830
Fatal injuries	281	278	296	240	220	223	231	206	199	168	137	136
Average duration of sick leave caused by work accident (days)	36.0	37.4	38.5	38.2	39.4	40.7	40.6	42.0	43.4	43.7	45.1	45.8

Source: Czech Statistical Office, Incapacity for Work due to Illness and Injury in the Czech Republic, 1995-2006
Czech Occupational Safety Authority, Yearbook 2003

The falling number of cases of occupational illness and work injury in past years was influenced by a whole series of factors, most notably the contraction and restructuring in sectors that typically have a high proportion of hazardous workplaces (metallurgy, mining and quarrying, heavy machinery) and the gradual change in the structure of the national economy, with workers moving from the primary sector to the secondary and tertiary sectors.

Costs and losses incurred through work accidents and occupational illnesses amounted to 1.61% of GDP in 2005, according to calculations made by the Occupational Safety Research Institute. Employers' losses amounted to 0.68% of GDP, social costs 0.91%, and the workers' losses just 0.02%.

Despite the fall in the number of job-related illnesses in the 1990s and at the start of the 21st century, there were other undesirable phenomena that directly boosted

illness and injury rates. These were primarily the breakdown of corporate preventive care and the neglect of preventive care and injury prevention by private enterprises. (Dokulilová, Kroupa, 2005)

By law employers are obliged to pay insurance against work injuries and occupational illnesses on their workers' behalf. And by law the state designates two commercial insurance companies for this purpose; the size of contributions paid in is risk-based. Self-employed workers may only insure themselves on a commercial basis, but few make use of this option. In the event of an occupational illness or work injury they instruct health insurance companies to pay the cost of treatment out of the said accident insurance. Uninsured self-employed workers would have to pay for this treatment themselves, which is one reason that they do not report work injuries and occupational illnesses. Not having insurance also means that it is not possible to claim any compensation in such an event.

All employees are obliged to pay sickness insurance, which covers them for incapacity for work caused by an occupational illness or accident. Self-employed workers (15.5% of total employment in 2006) may voluntarily participate in sickness insurance, but just a third do so. Most of them thus cannot claim any financial support during incapacity for work.

When assessing the development of work injury and occupational illness rates it would be wrong to overlook the fact that the data refer primarily to employees and do not include all the self-employed and people working in informal employment, whose numbers have been increasing in number in the same period. The data on work accidents and occupational illnesses probably fall short of the actual figures.

3rd5th2nd Work environment

Many Czechs claim to work in unfavourable working conditions, but the figures are comparable with the EU average. A third of workers are exposed to noise at work, a quarter to vibrations and more than a fifth to high or low temperatures or work in a dusty environment. Almost a third of workers work in tiring and painful positions or carry heavy loads; two-thirds are exposed to repetitive arm movements. Whereas the proportion of workers carrying heavy loads has fallen in recent years, more and more workers are exposed to vibrations, low temperatures or repetitive arm movements. (EWCS 2002, 2005)

By law, workers are entitled to extra pay for work in a difficult work environment, amounting to at least 10% of the minimum wage for each aggravating influence (e.g. dust, noise, work with chemicals, vibrations, radiation)²⁹. The amount of extra payment may be regulated in a collective agreement, 64.4% of CAs contain such a provision.

3rd5th3rd New work risks

Stress, violence in the workplace or sexual harassment are topics that have not received much attention in the Czech Republic to date. The interest in this area shown by state administration, the social partners and the public was largely initiated in connection with the necessary harmonisation of Czech labour law with European law. High tolerance of harassment, bullying and mobbing means that these phenomena tend to be made light of. These terms are still viewed by the public as imported novelties.

According to the 2005 EWCS, over 4% of Czechs have witnessed physical violence in the workplace and over 5% have encountered threats of violence. The survey also showed that phenomena like bullying or harassment are not absent from the Czech work environment: 1% of men and over 5% of women have been victims of such behaviour. According to the 2005 survey by the Institute of Sociology of the Academy of

²⁹ The number of employees receiving extra pay for work in a difficult work environment is not monitored.

Sciences of the Czech Republic, a quarter of the population has encountered sexual harassment. Women mentioned this experience in 28% of cases, men in 4%. The studies draw attention to the fact Czech society is characterised by a certain degree of tolerance of minor forms of sexual harassment and lewd comments about the appearance of women in the workplace, which are often not regarded as sexual harassment. (Vláčil and coll., 1997, Křížiková and coll., 2005)

3rd5th4th Occupational safety and health policy

Safety and health measures at enterprise level are based on the provisions of the Labour Code, which imposes a duty on employers to ensure employees' occupational safety and health with regard to the possible life and health risks affecting their job. One important aspect of employers' safety and health duties is risk prevention, elimination or minimisation. It can be observed that employers are showing greater interest in providing a safe work environment. OSH legislation covers the entire workforce, and there are special rules for certain sectors (e.g. the army and security forces) and for self-employed workers.

Occupational safety and health is still one of the key areas where trade unions play a key role – the Labour Code authorises trade union organisations to check the state of employees' health protection and safety at work. The trade unions employ trained inspectors that check firms in a given sector. The trade unions are entitled to reimbursement for the cost of their inspection work, which they receive out of the state budget. Provisions on occupational safety and health often form part of collective agreements. The trade union inspectors often work together with state inspectors and try to coordinate their work with them. In enterprises without a trade union organisation employees are authorised to elect their own safety and health representative. In reality this option often goes unused, as a written request of at least one-third of employees is required for appointing representatives.

Occupational safety and health is inspected by the State Labour Inspection Office (SUIP), which was set up in the middle of 2005 to replace the Czech Occupational Safety Authority and occupational safety inspectorates, which were established in 1968. The SUIP's work is on the one hand to perform checks, with the option of applying repressive measures (e.g. imposing fines, stopping a workplace's activity), and on the other hand to advise and educate. The SUIP's jurisdiction extends to all workers in the Czech Republic, excluding sectors where control is exercised by a different authority (e.g. public health authorities, mining administration, railways inspection, state nuclear safety office) and excluding the army; the SUIP may inspect the security forces only under certain special conditions.

The SUIP and district labour inspectorates have two types of trained inspectors: legal relations experts and OSH specialists. They carry out inspections according to an annual plan that highlights problematic sectors, whether in terms of compliance with the law or OSH. They also perform random checks in enterprises based on a complaint or suggestion. In 2006 there were 339 inspectors, 7.0 for every 100,000 workers in the national economy. The number of inspectors per 100,000 workers has increased in recent years, from 4.9 in 2004 and 6.7 in 2005.

Powers of the State Work Inspection Office also include checking compliance with other labour regulations besides occupational safety and health. Inspections have a positive influence on occupational safety and health: as a rule, inspected companies display lower injury rates in the following years. One shortcoming in the SUIP's powers is its legal inability to publicly name companies that flout the labour legislation or safety standards. It can only instigate improvements through the use of fines, which are often less effective than "naming and shaming".

3rd5th5th Occupational health services

The Labour Code requires employers to care for their workers' health and to establish works-level preventive care. Employers are thus obliged to have a contracted doctor who performs induction examinations and preventive examinations, monitors employees' health and may propose health amelioration measures. The law does not explicitly require employers to perform induction health checks. Employers must, however, take on employees in a way that ensures that the work corresponds to their health. Induction examinations are often discriminatory in nature, e.g. discovering pregnancy in a woman or a disability. Preventive examinations are only compulsory for workers doing hazardous work.

The protection of health at work is subject to state health supervision as performed by regional public health offices, which monitor workers' health and working conditions and may impose fines if public health standards are violated in the workplace. The entire workforce is subject to state health supervision.

3rd5th6th Motivation programmes, awareness

The Czech Republic's accession to the European Union had a fundamental impact on bringing this issue into the spotlight and the creation of a targeted work safety policy. In 2004 the Czech government laid the foundations of the National Policy of Occupational Safety and health and a National Programme of Action on Safety and Health at Work for 2004-2006 was formulated. The Programme was created by the Ministry of Labour and Social Affairs, in conjunction with other departments and the social partners, and approved by the Czech government. Implementation of the programme is annually appraised and a programme is being drawn up for the coming years. Moreover, a Government Council for Safety and Health at Work was established as a permanent advisory body to the Czech government. This Council is a forum for discussion between representatives of state administration, trade unions, employers and independent experts.

The Czech Focal Point for the European Agency for Safety and Health at Work was set up in 2003. Under this initiative, educational and awareness programmes were launched to improve employees' and employers' awareness of the issue. There is insufficient funding for training courses for all employees, however. Occupational safety and health is not feature in school curricula either.

Good practice is rewarded in two competitions: "Health Promoting Enterprise" (running since 2005), which is organised by the National Institute of Public Health under the auspices of the Ministry of Health; and "Good Practice" (since 2003 in the Czech Republic), which is part of the information and awareness campaign of the European Week for Safety and Health at Work, held annually under the auspices of the European Agency for Safety and Health at Work. Both competitions focus on the reduction of safety risks and creation of a safe workplace.

Additionally, firms may acquire a "Safe Company" certificate under a programme launched by the Ministry of Labour and Social Affairs in 1996. Applying for a certificate is a voluntary initiative for manufacturing-type companies; it is not covered by law and its principal advantage is its prestige value. In practice it involves satisfying the conditions laid down by the Czech Occupational Safety Authority and it is assessed by the state work inspection authorities. Nevertheless, gaining a certificate requires spending money to improve safety measures and performing a safety audit, so it is mainly large companies that possess one. The certificate is valid for 3 years and then has to be renewed. 49 companies had certificates in 2007.

3rd6th Access to training (Helana Vychova, Ing.)

The level of adult participation in further education is very low in the Czech Republic, with the figures falling with increasing age. A fundamental factor here is the influence of attained standard of education – adults with higher educational qualifications are more likely to participate in further education. Conversely, a lower educational standard of the population, which is a problem of the Czech Republic, is linked to decreasing participation. Greater participation can be observed among people in employment, who are twice as likely to be involved in further education than registered job-seekers. Further education activities are thus underused for professional and personal growth by the Czech adult population, which has a negative impact on their ability to respond flexibly to the ever-faster changes affecting the labour market. **The proportion of people in the Czech Republic aged between 25 and 64 that has been involved in education during the last four weeks before the survey has for long been around 5.6% (EU 27: 9.6%)** and achieving the EU-defined target for 2010 of 12.5% is a remote prospect. Persons in employment participate in education roughly twice more than jobless people in the Czech Republic³⁰.

The main problem in the field of adult education in the Czech Republic is the very **non-existence of a functional system of further education**, where there is absolutely no conceptual or legal definition of its implementation, financing, management, accreditation, certification of training programmes, information and advice services, or control systems ensuring the quality of the education offer.

Undertaking ordinary study at schools, with the same curriculum and conditions as young people are studying, is relatively demanding for adults interested in further education and does not make allowance for the needs and specifics of working people (adapting to teaching methods, course content etc.). Employed peoples' time is limited by their working hours and, moreover, they are not entitled to ask their employer to adjust their working conditions on study grounds. This is only possible if the employee undergoes training to improve his qualifications required to carry out the agreed employment, i.e. is entitled to study leave in the extent laid down by the Labour Code (Act No. 262/2006 Coll., as amended) and compensatory wage/salary. In that situation the employer may conclude an agreement with the employee defining both parties' obligations, most notably the employer's commitment to enable the employee to improve his qualifications and the employee's pledge to remain in employment for an agreed period, but no longer than five years, or, if he terminates his employment, to reimburse the employer for the costs incurred in connection with the employee's training.

Statutory obligations of employees and employers

Human resources development in companies is fully within the authority of employers. Regarding training, the law merely lays down a few obligations, i.e. the obligation to train employees in occupational safety, to ensure that school-leavers get adequate professional experience, to provide on-the-job training for employees starting work without qualifications and suitably to instruct employees at a new workplace. Employers have the right to order employees to undergo training that will improve their qualifications. Conversely, employees are obliged to improve and renew their qualifications necessary to perform the job at hand. In these cases, according to the Labour Code, training is performance of work and employees receive wages/pay throughout the training. In certain fields employers' obligation to provide training for workers is laid down by special legislation. This obligation mainly affects employers in healthcare, education, public administration, rail transport etc.

³⁰ According LFS 2006 6.5% persons in employment were involved in education and only 3.2% of unemployed.

According to the results of the Continuing Vocational Training Survey (CVTS2) covering continuing vocational training in enterprises in EU member countries, 69% of companies in the Czech Republic provide their employees with continuing vocational training, whereas the EU 25 average was 64% and the EU 15 average was 72%. Employee training in the Czech Republic is more common in larger firms with foreign ownership, which is evidently linked to the greater availability of finances and the transfer of human resources development customs from the foreign investor's country of origin. For the Czech Republic other results of CVTS2 show that 42% of employees participate in continuing vocational training (CVT) courses (EU 25 39%, EU 15 40%), employee spends 10 hours in CVT (EU 25 11 hours, EU 15 12 hours) and companies' costs of CVT courses as % of total labour costs reach 1.9% (EU 25 2.3%, EU 15 2.3%).

According to the results of a survey published by the National Training Fund in 2003³¹, the **principal reasons for the insufficient care for the development of workers' skills** mentioned by companies were the high cost of training (26.9%), satisfaction with the present standard of employees' skills (17.5%), and lack of interest among the actual workers in continuing training (13.9%). The majority of organisations (62.3%) feel responsibility for the development of their workforce's vocational skills, with the degree of responsibility felt increasing with the size of the company. 9% of organisations would leave the responsibility to the state. More than 80% of companies thus fully finance training courses; just 13% of companies mentioned employee co-financing; and in just 1.5% of enterprises the employees pay for training themselves. The degree of co-financing is greater in smaller companies and again falls as companies increase in size. If there is a collective agreement in the company, then more than 62% of these agreements cover employee training and development in some way. The majority of enterprises (60%) provide training through the services of training institutions.

Courses of commercial training institutions and retraining

Besides adult education in schools and in enterprises, there is also a range of courses offered by commercial training institutions and retraining. These are usually **shorter-term courses** that adult students prefer to long-term courses. Retraining courses are primarily designed for unemployed people and the employees of companies undergoing restructuring of the production programme. But the option of attending retraining courses is not closed to other groups of adults, but in this case they are asked to pay for the cost of the course. Czech adults spend on average 50 hours a year (EU: 84 hours a year) in study in informal training; the number of hours of study falls as the standard of attained education falls. Despite the need for improving the skills of the least qualified, these people take part in informal training for on average 25 hours a year (compared to 87 hours per year in the EU)³².

Further education activities also include "informal learning" which takes place in connection with the performance of everyday activities, such as reading newspapers, watching the news, looking for information on the internet etc. It takes place as unintentional education that is not done specifically to assimilate specific knowledge.

Low individual and systemic motivation for continued learning

The situation regarding motivation for greater adult participation in education is unsatisfactory in the Czech Republic. Only unemployed people attending retraining

³¹ Report on the Situation in Human Resources Development in Small and Medium-sized Enterprises. Prague: National Training Fund, 2003. The data were acquired through enquiries in enterprises, at labour offices, economic chambers and consultancy organisations.

³² Source of data: Czesaná, V., Matoušková, Z., Havlíčková, V.: Further Education in the Czech Republic. Working Paper National Observatory of Employment and Training – National Training Fund no. 6/2006. Prague: National Training Fund, 2006, 36p.

courses receive a financial incentive – they can claim higher unemployment benefit. Other measures targeting adult students that are common in western countries – e.g. tax relief, study allowances – do not exist in the Czech Republic at present. One innovation in this area was the new act on the recognition of and verification of the results of further education (Act No. 179/2006 Coll., on verification and recognition of the results of further education and amending certain acts), which makes fees for examinations proving the attainment of certain qualifications tax-deductible (with a maximum limit prescribed).

The only financial motivation tool targeted at employers is that their expenditure on staff training is tax-deductible. Including this expenditure in enterprises' total costs thus reduces their tax base. Other motivational elements, such as tax advantages, support for the creation of special-purpose corporate resources and a stable support system, are entirely lacking here. At present, support is mainly provided in the form of special-purpose programmes to run for a defined period of time.

People's lack of own initiative for continued learning is most often associated with a feeling among adults that continued learning is unnecessary, they do not have enough time and are unwilling to study; it is most often associated with advanced age and the related difficulty learning new things. **The main barriers** to the continued learning system as perceived by adults are the high price of training courses, time limitations, the unsatisfactory offer of courses that do not meet adults' needs and the lack of information about continued learning possibilities.

Above all, people require that training opportunities are adapted to suit their specific needs. Increased participation in continued learning could be aided by more flexible working time and more personalised courses using suitable teaching methods reacting to students' specific requirements. It is therefore of primary importance that training courses offer a more flexible timetable so that adults can study in the evenings or on weekends. Study leave should be given to workers. The provision of childcare services for the duration of parents' studies should also be improved. The Czech adult population would also welcome assistance with the cost of continued learning and more personalised teaching methods.

In view of the need for constantly improving and raising individuals' knowledge and skills, the issue of lifelong learning features in political discussions and strategic national documents. The National Programme for the Development of Education in the Czech Republic (2001) draws attention to the need to change the concept and goals of education and to see it as a lifelong process. The Human Resources Development Strategy (2003) deals with questions of and recommendations for improved human resources development, highlighting the need to adopt lifelong learning as standard practice, to make individuals more responsible for their own personal development and to widen the use of information technologies in education. The National Programme of Reforms (2005) draws attention to the insufficient attention and unsystematic approach to supporting lifelong learning, the lacking support for continued learning in companies and cooperation between employers, employees, training institutions and professional institutions. **Although the desirable measures are formulated in a number of documents, their implementation in the form of specific steps for continued learning remains inadequate.**

Positive benefits are expected from the aforementioned new act on recognition of the results of further education (effective since 1.8.2007) which, besides financial motivation, offers the chance to acquire a certificate confirming the attainment of certain qualifications based on a demonstration of the appropriate skills, regardless of how they were learnt. Verification and recognition of the results of further education takes place on the basis of proof of expert competence defined by a qualification standard of the particular qualification in the form of an examination before an authorised person. Successfully passing the exam is confirmed by the issue of a certificate on acquisition of the relevant qualification. The individual qualification means the assimilation of particular

skills and abilities for the exercise of a specific kind of work (a certain work activity or several activities) in the context of the relevant occupation. The set of defined individual qualifications then constitutes "full qualification", which confirms the competence to perform the given occupation, i.e. all the work activities making up the substance of the given occupation. The full qualification can be gained, or the level of education can be attained, solely by passing a final exam at a school but – thanks to the new act – this no longer requires sitting the entire educational course.³³ In view of the short time the act has been in force, it is too early to assess its results.

³³ The specialist education required for healthcare professions cannot be acquired in this way, however.

3rd7th Social protection coverage (Pavel Bares, Mgr., Martin Holub, Ing., Robert Jahoda, Ph.D., Ing.)

3rd7th1st Social security coverage

The social security system was reformed after 1989, with a **three-pillar concept** created: social insurance, state social support and social assistance. Beside these there is the health insurance.

The **social insurance** system comprises basic obligatory pension insurance, sickness insurance, and a contribution to state labour market policy is also levied. Pension insurance comprises old-age, disability, widow(er) and orphan pensions. The pension system in the Czech Republic is financed by the pay-as-you-go system, with the option of taking on private supplemental pension insurance.

Participation in basic **pension** insurance is obligatory if the specified conditions are met. Voluntary participation is also allowed. Individual categories of insured are governed by uniform legislation and basic pension insurance is financially guaranteed by the state. The statutory retirement age is being constantly raised; the planned uniform statutory retirement age for 2013 is 63 for men and 59-63 for women, depending on the number of children they have raised. The pension consists of two components, a basic amount (flat rate) which is the same for all types of pensions and percentage-based assessment based on the insured period and earnings achieved. The replacement ratio for newly granted old-age pensions amounted to 46,2% in 2006 for a typical recipient.

Sickness insurance is obligatory for employees and members of the armed forces and corps; since 1994 it has been voluntary for the self-employed. The sickness insurance system is essentially the same for all people in gainful activity, with some exceptions. Sickness insurance is guaranteed by the state both in financial and in legal terms.

Unemployed persons receive **unemployment benefit at a replacement rate** of 50% of previous net income for the first 3 months and 45% for the following 3. Unemployment benefit can be claimed by insured who have worked at least 12 months within the last 3 years. People taking part in retraining obtain the benefit at a replacement rate of 60% during the training. Unemployed persons not entitled to claim unemployment benefit come under the social support system and receive means-tested benefits derived from the subsistence minimum. Moreover, in 2006 the "existence minimum" was introduced (approx. 2/3 of the value of the subsistence minimum); this amount is paid out to those who are long-term non-participants in the labour market (not looking for work, refuse to retrain etc.). The aim of this reform is to bring to bear the principle that it should pay to have a job. That means net wages should be significantly higher than social assistance (see table in chapter 4.1.4).

The **state social support** system focuses mainly on support for families and households in social situations recognised by the state, meaning in particular the presence of family members not in gainful activity. There are two types of benefit – income-tested and non-income-tested. Income-tested benefits are derived from the subsistence minimum. Regardless of the family's income, parental allowance (during parental leave), foster care allowances and grants, birth grant and funeral grant are provided.

The purpose of the **state social assistance** system is to prevent people falling into a state of constant social dependency. The basic tools used to implement social assistance are social services, social prevention (social services which should prevent from social exclusion) and counselling.

Besides social security there is **health insurance**. Participation in health insurance is obligatory, with the state paying contributions on behalf of children,

students, the unemployed and pensioners. Up to 2007 the patient's co-financing was minimal.

Basic social rights are enshrined in the Charter of Fundamental Rights and Freedoms. In addition, the Czech Republic is bound by international conventions of the International Labour Organisation and Council of Europe's European Code of Social Security.

Table 8: Summary of benefits

	Name of benefit	Coverage	type of benefit	means-tested	type of financing	sources of financing	replacement rate (%)	duration of benefit payment	number of beneficiaries
Sickness/ health care	Sickness insurance	employees obligatory, self employed voluntary	cash benefit	no	insurance	employer + employee/ self employed	61.66	from 4 th day of sickness, max. 1 year	1,788,585
	Health insurance	all citizens, foreigners voluntary	care	no	insurance	employer + employee/ self employed + state	-	unlimited	all citizens
Disability	Disability pensions	employees + self employed	cash benefit	no	insurance	employer + employee/ self employed	47.8	from start of entitlement till death	525,030
Old age	Pensions	employees + self employed	cash benefit	no	insurance	employer + employee / self employed	46.2	from start of entitlement till death	1,423,985
Survivors	Survivor pensions	employees / self employed	cash benefit	no	insurance	employer + employee / self employed	74.7	1 year ****	734,769 *****
Family/ children	Maternal allowance	employees obligatory, self employed voluntary	cash benefit	no	insurance	employer + employee/ self employed	68.0	28 weeks	-
	Parental allowance	father / mother	cash benefit	no	tax	state	CZK 7,000 *	4 years*	-
	Birth allowance	mother	cash benefit	no	tax	state	CZK 17,760 * *	per child**	-
	Foster care allowance	foster parent	cash benefit	no	tax	state	CZK 3,680 – 6,975 ***	till the majority of a child	-
	Funeral allowance	all	cash benefit	no	tax	state	CZK 5,000	per funeral	-
	Child allowance	child in low earnings families	cash benefit	yes	tax	state	CZK 256 – 810 / month	till the majority of a child	-
Unemployment	Unemployment benefit	Unemployed who paid social insurance (obligatory for all employees and self employed, mothers after parental leave)	cash benefit	no	insurance	employer + employee/ self employed + state	50% first 3 month, 45% next 3 month, 60% for unemployed in training	6 month, or the duration of training	129,000

	Name of benefit	Coverage	type of benefit	means-tested	type of financing	sources of financing	replacement rate (%)	duration of benefit payment	number of beneficiaries
Housing	Housing allowance	all	cash benefit	yes	tax	state	-	as long as required	-
Social exclusion	Social supplement	families with children	cash benefit	yes	tax	state	-	as long as required	-
	Allowance for living	all	cash benefit	yes	tax	state	up to subsistence / existence minimum	as long as required	-
	Housing supplement	all	cash benefit	yes	tax	state	individually	as long as required	-
	other	all	cash benefit	yes	tax	state	individually	-	-
Other	state social assistance	all	care	no	tax / individually	state / individually	-	-	-
* Since the 2008 change there have been three options: CZK 11,400 till the child's 24 th month, CZK 7,600 till the child's 36 th month, or CZK 7,600 till the 21 st month and then CZK 3,800 till the child's 48 th month. See chapter 3.9.									
** Since 2008 13,000 CZK									
*** The amount depends on the age and health status of the child.									
**** Survivor's pension is paid out for one year following the spouse's death. After that, survivors can claim survivor's pension if they are caring for a dependent child, they are caring for a minor with a long-term serious disability requiring extraordinary care or a minor who is predominantly or totally incapacitated, they are caring for their own or their spouse's predominantly or totally incapacitated parent or a parent who is partly incapacitated and over 80, is a full invalid, is 55 or over or of retirement age if the retirement age is lower. Survivor's pension can be claimed again if one of the above conditions is satisfied within 5 years after the previous entitlement expired.									
***** Widow's, widower's, + widow's and widower's pension paid out in combination with direct pension – concurrent pensions + orphan's pension									

3rd7th2nd Recent and expected trends

There have been a number of changes in the social system in recent years. One of their purposes was to prevent abuses. Some of the changes had been implemented under the social democratic government; the present right-wing government (after 2006) is following up with other measures. The principle motives behind the reform include reducing the public finances deficit and preventing abuses of the system by beneficiaries. In 2004, the act on employment tightened the rules for entitlement to

unemployment benefit so that only people who had worked at least 12 months within the last 3 years were eligible. This measure also affects school-leavers. In general, it is fair to say that the changes were a move in the right direction towards greater participation in the labour market. Another change in 2004 was that parental allowance could be concurrent with unlimited work incomes, which had been forbidden. Previously, parental allowance was awarded only if the sum of parental allowance and work income would be less than 1.5 times the parent's subsistence minimum. So now you may earn as much you can and claim parental allowance as well (see chapter 3.9.).

2006 also brought the enactment of an amendment on sickness insurance responding to the increasing abuse of sickness insurance³⁴. The main change envisaged was to introduce continued payment of wages through employers during the first two weeks of sickness, instead of the sickness benefit being paid by the insurance;; in turn, it was planned to reduce the employer contributions to the sickness insurance. This change was postponed until 2009, as there is no political consensus as to whether employers should take responsibility for checking that employees claiming sick leave are truly sick. Nevertheless, under the act on the stabilisation of public budgets from 2007 sickness benefit will only be paid from the fourth day of sickness absence.

The prior government introduced from 2008 more radical changes as well. These apply to the existence minimum for people who have long avoided participation in the labour market, changing the payout of parental allowance and introducing co-payments for visiting the doctor, fees for prescriptions and co-payments in hospitals³⁵. The aim of these and other changes is to prevent abuse of the social and healthcare system.

3rd7th3rd Social security expenditure and financing

Expenditure

Total expenditure on social protection was CZK 552 billion in 2005, which amounted to 18.5% of GDP and 41% of general government expenditure. Spending on social protection had grown up to 2003 (as a pc of GDP), but since 2004 there has been a small decline associated with the fall in unemployment and thus also expenditure on labour market policy.

The biggest share of expenditure goes to pension insurance (almost half), followed by healthcare (CZK 157 billion) on health insurance, CZK 38 billion on sickness insurance).

Table 9 Expenditure on social protection: by Core system of ESSPROS*)

Year	Expenditure on social protection, total	By function of social protection (CZK millions)							
		Sickness/health care	Disability	Old age	Survivors	Family/children	Unemployment	Housing	Social exclusion
1995	247 548	91 866	18 825	95 837	2 584	29 498	5 618	43	3 278
1996	286 479	105 696	22 478	112 696	3 222	31 392	7 341	688	2 965
1997	325 697	112 736	25 921	135 794	4 090	32 535	9 395	938	4 288
1998	358 170	120 068	28 754	153 213	4 272	32 574	10 908	1 818	6 563

³⁴ There are basically 4 ways in which sickness insurance is abused in the Czech Republic:

- 1) employees take sickness pay instead of holiday
- 2) employees who are afraid of being laid off fake illness, because they cannot be dismissed during illness
- 3) employees [in collusion with employers] use sickness pay to tide them over in unemployment after being dismissed
- 4) employers "send" employees on sickness leave in response to a temporary shortage of work

³⁵ The basic charge for visiting a doctor is fixed at CZK 30. The average gross hourly wage was CZK 132 in 2006.

1999	387 207	128 129	30 781	163 906	4 545	33 827	14 444	2 458	9 117
2000	413 654	139 075	32 177	174 691	4 616	34 906	14 271	2 710	11 208
2001	442 981	151 884	35 532	185 072	5 184	36 357	14 355	2 720	11 876
2002	482 205	168 804	37 670	199 270	5 391	38 685	16 469	3 038	12 879
2003	504 076	178 920	40 925	202 343	5 475	38 387	20 254	2 904	14 869
2004	525 421	185 298	41 609	210 931	5 447	44 036	20 596	2 623	14 881
2005	552 081	195 067	43 213	229 893	5 399	41 863	19 735	2 547	14 364

*) Data produced according to Eurostat methodology for the Core system of ESSPROS (European System of integrated Social Protection Statistics)

Table 10 Expenditure on social protection: by Core system of ESSPROS^{*)}

Year	Expenditure on social protection, total	By function of social protection (% of GDP)							
		Sickness/health care	Disability	Old age	Survivors	Family/children	Unemployment	Housing	Social exclusion
1995	16.88	6.26	1.28	6.54	0.18	2.01	0.38	0.00	0.22
1996	17.02	6.28	1.34	6.69	0.19	1.86	0.44	0.04	0.18
1997	17.98	6.22	1.43	7.50	0.23	1.80	0.52	0.05	0.24
1998	17.94	6.01	1.44	7.67	0.21	1.63	0.55	0.09	0.33
1999	18.61	6.16	1.48	7.88	0.22	1.63	0.69	0.12	0.44
2000	18.90	6.35	1.47	7.98	0.21	1.59	0.65	0.12	0.51
2001	18.83	6.46	1.51	7.87	0.22	1.55	0.61	0.12	0.50
2002	19.57	6.85	1.53	8.09	0.22	1.57	0.67	0.12	0.52
2003	19.56	6.94	1.59	7.85	0.21	1.49	0.79	0.11	0.58
2004	18.67	6.58	1.48	7.49	0.19	1.56	0.73	0.09	0.53
2005	18.48	6.53	1.45	7.69	0.18	1.40	0.66	0.09	0.48

*) Data produced according to Eurostat methodology for the Core system of ESSPROS (European System of integrated Social Protection Statistics)

Table 11 Expenditure on social protection: by Core system of ESSPROS^{*)}

Year	Expenditure on social protection, total	By function of social protection (% of government expenditure)							
		Sickness/health care	Disability	Old age	Survivors	Family/children	Unemployment	Housing	Social exclusion
1999	44.02	14.57	3.50	18.63	0.52	3.85	1.64	0.28	1.04
2000	45.19	15.19	3.52	19.08	0.50	3.81	1.56	0.30	1.22
2001	42.33	14.51	3.40	17.69	0.50	3.47	1.37	0.26	1.13
2002	42.25	14.79	3.30	17.46	0.47	3.39	1.44	0.27	1.13
2003	41.34	14.67	3.36	16.59	0.45	3.15	1.66	0.24	1.22
2004	41.36	14.59	3.28	16.60	0.43	3.47	1.62	0.21	1.17
2005	41.19	14.55	3.22	17.15	0.40	3.12	1.47	0.19	1.07

*) Data produced according to Eurostat methodology for the Core system of ESSPROS (European System of integrated Social Protection Statistics)

Financing

The **social insurance system** is a pay-as-you-go system. Insurance premiums are paid by employees, employers and the self-employed. The level of premiums (see table 12) is fixed as percentage rates of the calculation base computed for the determinative period.

Table 12 Contribution rates from 2004 (% of the assessment base*)

	Pension insurance	Sickness insurance	State employment policy	Total
Employer	21.5	3.3	1.2	26
Employee	6.5	1.1	0.4	8
Self-employed	28	4.4 voluntary	1.6	29.6 (or 34)
Voluntarily insured	28	-	-	28

*ceiling 4 times of average wage from 2008

Source: Actuarial reports (2002, 2004, 2006)

Receipts of social protection schemes comprise social contributions, general government contributions and other receipts. Employers' social contributions are the costs incurred by employers to secure entitlement to social benefits for their employees, former employees and their dependents. Employers' social contributions may be actual or imputed; they can be paid by resident or non-resident employers.

Table 13: Social protection receipts by type, Czech Republic (% of total receipts)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Employers' social contribution	53.4	53.1	52.4	51	49.4	49.8	50.3	50.4	50.9	53.3	54.3 (p)
Social contribution paid by the protected persons	24.7	25	24.8	24.2	23.6	24	24.4	24.6	24.7	25.9	26.4 (p)
General government contributions	20.8	20.3	21.8	23.8	25.8	25	24	24.1	23.2	19.5	18.1 (p)
Other receipts	1.2	1.6	1.1	1	1.2	1.2	1.3	0.9	1.3	1.2	1.2 (p)

(p)

Provisional value

Source: Eurostat/ESSPROS

3rd7th4th Impacts of social security

The large scale of state-guaranteed social security has led to a marked reduction in poverty. According to Eurostat, 8% of families were at risk of poverty in 2003, whereas the proportion in the EU was 15%. (Kyzlinková, R., Dokulilová, L., 2006). Obviously, this is a positive result. The social system's effectiveness in reducing poverty was calculated by Sirovátka and Trbola (2006).

Table 14: Reduction of poverty relative to population characteristics (poverty line = 60% of the median);

	Before transfer	After transfer
Men	35.29	7.36
Women	41.73	8.82
Type of household, EU		
individual younger than 65	41.12	15.64
individual 65 and over	99.28	9.26
couple, both younger than 65	31.41	2.29
couple, at least one 65 or over	97.27	0.88
parents with 1 dependent child	21.61	6.46
parents with 2 dependent children	19.99	7.06
parents with 3 and more dependent children	47.17	19.38
parents with 1 dependent and 1 other	23.71	11.77
incomplete family with dependent child	61.31	29.46
other households	34.38	4.74
Type of household by EA (economic activity)		
working – at least 1 EA	22.04	4.22
not working – unemployed; no one EA, at least 1 unemployed	98.41	61.49
not working – pensioners; no one EA, at least 1 non-working pensioner	99.23	7.23
not working – other inactive	82.51	63.95
Type of household as per OECD		
fully employed	11.66	2.10
unemployed – no one EA	97.36	34.50
partially employed	47.57	9.42
pensioners'	99.62	5.44

Source: Microcensus 2002; from Sirovátka, Trbola 2006

On the other hand such a high standard of social security places enormous **demands on state expenditure**. The large scale of social security is one of reasons of state budget deficits. The public deficit was 3% of GDP in 2006. At the same time it is evident that state spending will increase as the population ages (see chapter 4.1.7).

The Czech social security system is very expensive and is only feasible because of the high tax burden on labour (tax + insurance levied from both employer and employee). In 2006, contributions levied by the state amounted on average to 42.6% of total labour costs³⁶, which ranks the Czech Republic among countries with the "continental" social model. High contribution levels and real wages outstripping productivity growth make companies less competitive, in at least two ways. First, labour unit costs in the Czech Republic rapidly increased in last decade, making the Czech Republic less attractive to foreign investors. Second, high labour unit costs make investments in new technology cheaper and that brings the risk that people will be replaced with machines.

Among employers we may also observe other negative phenomena associated with the high taxation of labour (tax + insurance). In a number of cases employers' attempts to reduce the tax burden balance on the edge of illegality or are illegal. It is commonplace in a number of sectors to pay only the minimum wage, topped up with "cash in hand", or there is a high incidence of the "Švarc system" or illegal work (often in construction, agriculture, or in restaurants).

Negative effects of high benefits are also evident in the workforce (particularly the small difference between the social subsistence minimum and minimum wage – see chapter 4.1.4). Analyses (e.g. Jahoda, 2006, or Pavel, Vítek, 2005) have indicated that on the labour market supply side there is a combination of work incomes and social

³⁶ 57% of total labour costs is net wage, the remaining 42.6% contributions (about 7% tax, 36% social and health insurance).

benefits that creates a poverty and inactivity trap for Czech households. Households receiving **social support benefits** may be exposed to high effective taxation. This is more pronounced in the case of low-income households and households with several children. In 1997 the subsistence minimum for a single-member household was greater than the minimum wage. Obviously, that did not motivate beneficiaries to find a new job. The ratio between the subsistence minimum and the minimum wage has decreased gradually; in 2006 the subsistence minimum for a single-member household was 56 % of the minimum wage. That was achieved thanks to a bigger increase in the minimum wage than in the subsistence level. On the one hand, this trend can be viewed positively, as the poverty trap affects a smaller proportion of households. On the other hand, however, the declining social protection of these households cannot be overlooked.

3rd8th Social dialogue and workers' participation (Jaroslav Hala, Mgr., Sona Veverkova, Ing.)

3rd8th1st Developments since the start of the 1990s

When Czech economic transformation began, the need to bring the existing legislation into line with international agreements on citizens' social and economic rights was identified as one of the priorities. Besides the approximation done by means of a number of individual acts, these rights were enshrined in Czech law by the key legal document of legislative transformation – Constitutional Act No. 23/1991 Coll., the Charter of Fundamental Rights and Freedoms. Besides the establishment of the necessary legislative conditions, new organisational structures of the social partners were created and new forms and objectives of social partnership began to develop and be applied. In most sectors of the economy the entirely new phenomenon of employers' organisations started to emerge; and trade union structures underwent extensive transformation. However, during the 1990s the trade unions were confronted with an unfavourable public attitude (which often regarded them as a socialist legacy) and had to cope with their membership falling from roughly 90% in 1990 to approx. 30% in 2006³⁷. The main cause of the trade unions' declining membership was extensive privatisation and restructuring in the enterprise sphere during the 1990s (with part of production moved from large industrial firms to small and medium-sized firms and the growth of the tertiary sphere and decline of the secondary). The owners of new firms and operating units sometimes did not want trade union organisations to be set up in the workplace (employees therefore sometimes set up "local" organisations). During the transformation period, however, the trade unions also become a counterweight to the policies of right-wing governments that implemented a number of economic measures affecting employees' interests. In the past years – despite an evident unwillingness to be actively involved in the trade unions – the prevalent public opinion has been that trade unions are necessary to protect employees' interests.

3rd8th2nd Current structure of the social partners

There is currently a developed structure of the social partners' organisations in the Czech Republic, in the majority of sectors of the economy and in the public sector. One positive fact from the point of view of social partnership in sectors is that a number of actors, on the part of both unions and employers, are **large sectoral groupings operating nationally** and bringing together trade union members in their thousands or representing the majority of large enterprises in the given sectors with a relatively high total number of employees. In most key sectors of the economy, trade union and employer federations were set up shortly after November 1989. They operate nationally and rarely autonomously; they are mostly members of some national central organisations, where they usually occupy a position of significance. They take part in national tripartite consultations, either directly or indirectly. Bar exceptions, they are the leaders of social dialogue in their sector and negotiate higher-level collective agreements (it is often the only higher-level collective agreement in the given sector). They usually possess a specialist apparatus to handle this agenda (usually bigger on the side of the trade unions). They are also members of at least one and often more European and international sectoral structures.

Small sectoral organisations (unions or associations) are only rarely to be found in the key sectors, usually on the side of the trade unions and only in certain sectors (e.g. furniture industry, chemicals, electricity and heat generation and distribution, road transport etc.). These smaller trade union formations were usually formed when the original sectoral trade union member base split (i.e. they have been part of the modern trade union tradition in the Czech Republic for less time than the

³⁷ 1990 data, estimate, from 2006 HEPPNEROVÁ, p. 29

larger federations); they operate regionally and usually have no professional apparatus. They are not members of European sectoral trade union structures (they do not have sufficient staffing or chiefly material resources). Although they are far smaller than the large federations, they do play a role in social dialogue (e.g. consisting in asserting minority interests, in the radical nature or authenticity of their attitudes and their pursued objectives) and some of them take part in collective bargaining and even conclude higher-level collective agreements. On the part of employers' organisations, there are no such small organisations in the selected sectors, but we do find that the members of some associations' scope covers more than one sector and they take part in collective bargaining here. In that case their status is analogous to that of small trade union federations.

There is also a strong trade union grouping in **the public sector**, but here the trade unions' possibilities, especially in collective bargaining, are limited, mainly at sectoral level. There is no employer partner to conclude higher-level collective agreements with.

3rd8th3rd National tripartite mechanism

Social dialogue at national level takes place as part of the Council of Economic and Social Agreement (Rada hospodářské a sociální dohody – RHSD). The state is represented by the government, the trade unions by the Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů³⁸ – ČMKOS) and the somewhat smaller Association of Independent Trade Unions (Asociace samostatných odborů – ASO), and employers by the Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy ČR³⁹) and the Confederation of Employer' and Entrepreneurs' Associations (Konfederace zaměstnavatelských a podnikatelských svazů ČR). The tripartite body was created in October 1990 in the Czech Republic. The substance and working of the national tripartite mechanism was not and still is not governed by any act or other regulation; it derives form goodwill and agreement between the social partners and government (gentlemen's agreement). Neither the Economic Chamber nor the Agrarian Chamber are represented here; these chambers were established later and essentially do not take part in social dialogue (in the Czech Republic there is a clear functional differentiation between the chambers on the one hand and entrepreneurs' and employers' organisations on the other). The conditions of participation in RHSD are defined by the tripartite statutes, which also sets down certain representativeness criteria for members.

Social partnership – including the tripartite mechanism – played a role in the transformation process and the range of topics covered by tripartite consultations in the Czech Republic has been very extensive (including, for example, questions related to the impacts of privatisation on the trade unions and employers etc.); it mainly focuses on questions of economic policy, labour relations, collective bargaining and employment, social issues, wages and pay, the non-production sphere, occupational safety, and issues related to the Czech Republic's membership of the EU (focusing on social dialogue, social policy, healthcare etc.) – specifically, for example, the labour code and its amendment, the act on employment, questions of work inspection etc.). RHSD is also authorised to comment on draft legislation and is a platform where the social partners learn about the government's key legislative intentions or plans and about the results of legislative work before draft legislation is put before the government. The participants in tripartite consultations have differing views of the working of RHSD; the social partners would welcome it if government materials and documents (of the highest possible standard) were submitted to it more consistently and especially earlier.

³⁸ Associates 33 predominantly professionally oriented trade unions with approx. 600,000 members.

³⁹ Associates approx. 1,550 entities, both employer associations and individual enterprises, with almost 600,000 employees in total.

Assessment of the influence of RHSD

RHSD is functional in the sense that it has sessions, but the trade unions complain that the government refuses to conduct dialogue on matters affecting employees' interests and leaves the social partners little room for influence. The social partners' (and particularly trade unions') influence in RHSD under the present centre-right governing coalition is diminished by the fact that they are unable to agree amongst themselves on the government's proposals and plans regarding a number of serious current topics.

Regional social dialogue (regional tripartite consultations) first developed in regions affected by structural changes and high unemployment (industrial regions dominated by mining, power industry and industrial output) – examples include the Economic and Social Council of the Most District or the Council of Economic and Social Agreement of the Ostrava Region.

3rd8th4th Collective bargaining

Legislation

While social dialogue takes place at national, sectoral, regional and enterprise level (but is centred on the national and enterprise level) and the social dialogue process is not governed by legislation, collective bargaining only takes place at enterprise and sectoral level. The epicentre of collective bargaining is the enterprise level. The contracting partners' conditions and procedure are regulated by law (the act on collective bargaining also regulates the related issue of strikes and lock-outs). The law provides for enterprise-level and higher-than-enterprise level collective agreements (the act also governs procedure when extending higher-level collective agreements).

The principal precondition for concluding collective agreements is the legal subjectivity of the parties to collective bargaining, both at enterprise and sectoral level. If either party lacks legal legitimacy the collective agreement and the negotiated commitments may be nullified. That is particularly important with higher-level collective agreements, where problems of the absence of competent entities on the employer side (typically in the public sector) or unclear authorisation to conduct collective bargaining on the employer side in certain economic sectors (e.g. automobile industry) sometimes causes problems in practice.

Legislation trends

The biggest impact on Czech law has resulted from the amendments of legislation on collective labour rights, especially the aforementioned new labour code and amendment of the act on collective bargaining. The new labour code, passed in 2006 and effective since the start of 2007, expressly provides that an enterprise-level collective agreement may be concluded by an employer or several employers and a trade union organisation or several trade union organisations. This (unlike the rules effective up to the end of 2006) paved the way for ratification of the ILO Convention 154/1981, promoting collective bargaining, which the Czech Republic is not yet bound by. This legislation, which paved the way for accession to the said Convention (we have no detailed information about the Czech Republic's actual intention to ratify the Convention, however), makes it possible for the parties to conclude a "group collective agreement", e.g. in a group of enterprises with the same ownership in a concern.

Significance of collective agreements

The social partners usually associate a number of positive expectations with the favourable results of social dialogue and, in particular, with the successful culmination of collective bargaining; of primary significance is the prevention of social conflicts and preservation of a good social climate and harmony, i.e. the elementary conditions of corporate prosperity and also social prosperity in general. From employers' point of view, however, working, positively oriented social dialogue is also a factor boosting the credibility of proclaimed goals and principles in the area of human resources management and contributing to the application and implementation of business plans. From the trade union point of view, working social dialogue and concluded collective agreements constitute the principal tool for asserting the legitimate interests of trade union members and employees in general.

In the Czech Republic, social dialogue became one of the characteristic features of socio-economic development from the start of the 1990s. The social partners' views when appraising the significance of enterprise-level collective agreements and higher-level collective agreements may not entirely coincide, but the prevailing opinion is that they are roughly equally significant facets of the same process, differing (and complementing each other) in terms of the functions they fulfil in the system. Collective bargaining at enterprise level is generally more widespread in the Czech Republic⁴⁰. This opinion is categorically held by e.g. the Czech metalworkers' federation (OS KOVO⁴¹), but most surveyed representatives of other social partners also think this is true. As far as higher-level collective bargaining is concerned, its capacity is sometimes seen as a weak point in the collective bargaining system in the Czech Republic⁴². Besides the said reservations about certain quantitative aspects of the effectiveness of collective bargaining in the Czech Republic at sectoral level (the reservations were mentioned during the questioning of representatives of the social partners) interviews with trade union and employer federation representatives often revealed that they were satisfied with the course of collective bargaining in the Czech Republic to date and with the successful cooperation between sectoral actors. According to these opinions, collective bargaining in the given sectors is conducted mainly in an atmosphere of striving for mutual agreement⁴³, which guarantees that it will continue to develop in future and has a positive impact on the given sector. That is determined by the fact that social dialogue in its modern form in the Czech Republic has taken place in sectors for more than 15 years now and in this time a number of mechanisms preserving social harmony have been verified in practice. As time has gone on, practice has required, for example, the adoption of common bargaining rules and procedures, often established in concluded collective agreements, the adoption of rules for checking implementation of negotiated commitments and provisions etc. The personnel aspect is also fundamental – trade unions and employer organisations are usually headed by personalities who have had extensive experience with the issue of social dialogue and collective bargaining.⁴⁴

⁴⁰ All published research, including e.g. a 2002 twinning project designed to boost the capacity of social dialogue in the Czech Republic, agrees on this point.

⁴¹ "Enterprise-level collective agreements are key in our trade union federation." Strategy of KOVO for collective bargaining for 2007, KOVO website.

⁴² The overall low number of higher-level collective agreements (HLCAs) concluded in the Czech Republic and their limited coverage tend to be mentioned in this context. A total of 27 HLCAs were concluded for 2006 in the Czech Republic. For example, ČMKOS member unions concluded 10 HLCAs fewer in 2006 than in 1995 (but part of this difference is caused by certain unions leaving ČMKOS during that period). According to trade union data (e.g. D. Heppnerová and collective, Guide to Social Dialogue for Employees), at present approx. 30% of employees are covered by HLCAs in the Czech Republic. It should be added, however, that detailed data on the coverage of collective agreements in the Czech Republic are not available (not even for ELCAAs), as there is no central monitoring in this sense in the Czech Republic).

⁴³ ČMKOS research (e.g. in Report on the Course of Collective Bargaining at Higher-than-Enterprise and Enterprise Level in 2006, drawn up as an internal material for the ČMKOS Assembly on 22.11.2006) independently confirms that higher-level collective bargaining takes place in the appropriate manner, representing a certain standard in relations between sectoral social partners.

⁴⁴ The situation is accurately encapsulated by the statement made by a representative of an employer association in the wood processing industry: "It's more about cooperating with the trade unions than bargaining, they've got people who use their brains." The optimum mechanisms for negotiating HLCAs have

Decentralization of collective bargaining?

No decentralising trend has been observed in collective bargaining in the Czech Republic. There have been fundamental changes in the extent of coverage by enterprise-level and higher-level collective agreements in recent years. For example, ČMKOS states (data for the entire Czech Republic are not available – there is no central monitoring) that higher-level collective agreements concluded for 2007 by ČMKOS member unions were binding for 5,530 employers with a total of over 622,000 employees; what is more, these collective agreements were extended to a further 3,819 employers with almost 368,000 employees. Overall, then, higher-level collective agreements concluded by unions associated in ČMKOS applied to approx. 9,350 employers and 990,000 employees in 2007 (i.e. almost 30,000 more than in 2006), which is approximately 24% of all employees. From a longer-term perspective there has been an essentially systematic increase in the main parameters of higher-level collective bargaining (in the context of ČMKOS, and with the exception of the number of higher-level collective agreements concluded). The total number of employers covered by higher-level collective agreements rose from 4,560 in 2001 to 9,350 in 2007, with the number of employees covered rising from 690,000 to 990,000. As far as enterprise-level collective agreements are concerned, for 2007, according to data from the trade unions in ČMKOS, 3,187 enterprise-level collective agreements covering 1,079,500 employees were concluded with 6,586 employers where these trade unions operate (which represents 26.3% of all employees in the Czech Republic). Developments over the last 10 years show that as far as the scope of collective bargaining is concerned almost all the monitored indicators have fallen. However, since 2000 the decline has been less pronounced (especially as regards the total number of employers where a basic organisation of a ČMKOS trade union operates and the total number of employees at these employers). Since 2001, the total number of employees protected by enterprise-level collective agreements concluded by trade union organisations coming under ČMKOS has not been falling, but has basically stagnated at around 1.1 million employees.

In our opinion, in most sectors of the Czech economy (bar the public sector) higher-level collective agreements fulfil their function, i.e. lay down a basic framework for collective bargaining at enterprise level. It would certainly be wrong to claim that their role in collective bargaining is merely marginal (viz. data on the capacity of collective bargaining at higher-than-enterprise level in the context of ČMKOS compared to enterprise-level collective bargaining).

Trade union membership and CBA coverage.

As far as trade union membership is concerned (see above for coverage by collective agreements), this is in long-term decline, which essentially applies to all sectors (surveys have tracked the decline in trade union membership since the start of the 1990s; the relevant data indicate that trade union membership fell by approx. 60% from 1990 to 2000, for example). In 2001, according to the available data and estimates made by representatives of trade unions and trade union federations, the total number of union members among employees in the Czech Republic has dropped below 1.3 million, so approx. 33% of all employees were trade union members in 2001. In view of the fall in the trade unions' membership, according to our estimates the current rate of union membership is less than 30% of all employees.

Details on unionisation rates in the private/public sector are not available.

successfully been put in place. A representative of an agricultural trade union characterises the situation: "It's not war, but the owners' understanding for making money..." From the record of discussions as part of research done by RILSA and STEM/MARK in 2006.

3rd8th5th Workers' participation

The ability for employees to participate in the working of an enterprise, share in its profits and regulate wage and working conditions is established by the law and collective agreements. The labour code sets out a range of information that employers are obliged to provide trade union organisations (or works councils, if no there is no trade union operating at the enterprise) and to discuss with them. This is mainly information about the employer's economic situation, the amount of work, changes in the organisation of work etc. Certain matters require joint decision-making by the trade unions, moreover. If there are no trade unions in a company and no works council was appointed, the labour code requires employers to inform employees directly and consult with them directly. That is usually done during training, seminars or in personal interviews.

There is a trade union organisation operating in approx. 25% of enterprises, with their membership accounting for approx. 30% of the total number of employees⁴⁵. Enterprise-level collective agreements sometimes tend to include provisions on some form of employees' participation in company profits – usually in the form of bonuses, "thirteenth/fourteenth" pay etc.⁴⁶ Profit sharing in the form of employee shares or discounted share buying is less widespread in the Czech Republic and is usually practised by foreign firms as a motivational instrument for senior or middle management.

Alternative forms of workers' representatives

If there is no trade union organisation operating at an enterprise, employees may be represented by a **works council** or may elect a health and safety representative. The principle therefore applies that there is only one employee representative for information and consultation at an employer, i.e. the co-existence of works councils, or health and safety representatives, and trade union organisations at one and the same employer is ruled out. The health and safety representative is an independent organ that stands apart from works councils; works councils are not entitled to perform the information and consultation role in the area of occupational health and safety and health and safety representatives cannot mediate information in areas coming under the ambit of works councils. The law defines detailed conditions for electing employee representatives (whose term of office is by law three years). The labour code also sets out detailed conditions and the scope of information and consultation. These employee representatives do not have legal subjectivity and act merely as intermediaries between employer and employees to facilitate information and consultation at enterprises. These institutes are not based on the membership principle, unlike trade union organisations and employer organisations. Trade union organisations retain the authority to conclude collective agreements on employees' behalf and also their control, co-decision-making and decision-making rights. Since the new labour code took effect at the start of 2007 there has been one fundamental change in connection with the rules governing the termination of works councils or the health and safety representative in a situation where a trade union organisation starts to operate at an employer. The principle of the "sudden death" of elected employee representatives that ruled out the co-existence of trade unions and works councils/health and safety representatives was loosened somewhat. Now, all employee representatives may operate alongside each other, until the elected employee representatives' three-year term ends or a collective agreement is concluded at the enterprise. Employers are obliged to fulfil their obligations in respect of all involved employee representatives. As regards the incidence and

⁴⁵ HEPPNEROVÁ, p. 29

⁴⁶ In 2005 38.8% of enterprise-level collective agreements contained provisions on the employer's obligation to pay employees a thirteenth month's pay, and 22.1% even a fourteenth month's pay. Source: HÁLA, J.: Employee Financial Participation in the New Member States – Czech Republic, Dublin: Foundation for Improvement of Living and Working Condition, 2007, available from: <http://www.eurofound.europa.eu/eiro/studies/tn0701018s/cz0701019q.htm>

achievements of works councils and health and safety representatives, no monitoring of this area is done in the Czech Republic. It is generally thought that works councils and health and safety representatives have had only limited impact as a result of their lack of powers and the aforementioned rules ruling out or restricting their co-existence with trade union organisations at an employer.

European Works Councils

In line with European law, the labour code guarantees employees of transnational companies operating in two or more EU countries the right to transnational information and consultation, through either a European Works Council or provisions on a different procedure for transnational information and consultation. The duty to provide transnational information and consultation under the provisions of the labour code apply to employers and groups of employers operating in the territory of an EU member state, or their organisational component, and representatives based in the Czech Republic. The law sets out the conditions and procedure for establishing a negotiating body. In connection with the establishment of negotiating bodies the new labour code effective since the beginning of 2007 provides that if central management (an employer operating in EU member states and the controlling employer in a group of employers) is based in a different member state, the regulations of that state shall be used for the representation of further members. The rules on negotiating bodies and European Works Council established by law now also deal with cases where more than one employee representatives, e.g. more than one trade union organisation, operates at an employer. Based on the European directive's requirements, the law also deals with "subsidiary rules" for establishing European Works Councils. The labour code distinguishes between a European Works Council set up by negotiation or established by law. A European Works Council established by law should guarantee employees access to transnational information if the central management and negotiating body cannot agree on a joint course of action; the central management and negotiating body may also negotiate on the use of these rules. Additionally, the law regulates the procedural aspect of the work of European Works Councils and defines relations between the EWC and the employer's management.

The procedure for the establishment of a new European Works Council has not yet been widely used in the Czech Republic, however. The reason is the fact that before the Czech Republic joined the EU European Works Councils were already established in transnational companies operating in the Czech Republic and Czech employees' right to transnational information and consultation was then implemented when Czech employee representatives joined the already functioning EWCs. In principle it applies, however, that in companies where trade unions operate it is usually their organisations that take the first steps to find out whether an EWC exists in the enterprise. Additionally, it is easier for the trade unions, which usually have ties at both national and transnational level, to gain other information about the activity, conditions and working of EWCs. The trade unions have also taken the initiative in connection with Czech representatives' membership of European Works Councils (most Czech representatives are trade union members); in coordination with Slovak trade unions they have currently taken steps to undertake educational activities for Czech and Slovak employee representatives in EWCs (this project, financed by European funds, was prepared by the Czech-Moravian Confederation of Trade Unions and the Confederation of Trade Unions of the Slovak Republic).

3rd9th Work and family (Sylva Höhne, Ing., Vera Kucharova, PhDr.,)

Harmonising the family and work is a topic with a long tradition in the Czech Republic owing to the high rate of women's employment since the 1950s; at the same time, however, that means that there are many deep-rooted stereotypes that complicate this aspect of "decent work" in the current socio-economic conditions. One fundamental problem is the persisting **gender inequalities** (the mutual conditionality of these inequalities in the family/work sphere). Another core topic is parents' interest in **parental (or family) day care for babies** (up to 3 years of age) in place of the employment of (predominantly) mothers and, in contrast with this, the frequent **insufficiency of a single income** for a family with children (not just babies). The relatively youth of the free market economy and the legacies of the transition period are reflected in uninformed, "confused" and even hostile **attitude of employers** towards making allowance for employees' family roles. Sources of tension in the family/work balance can be found both on the part of employers (insufficient incidence of a "family friendly" approach) and in families (persisting uneven gender-based distribution of work in families).

The need for **greater state involvement** in the endeavour to harmonise family and work life has begun to be reflected more strongly, largely under the pressure of implementation of EU legislation and under "bottom-up" pressure applied by NGOs. The family/work balance is currently one of the central themes of **family policy** and **equal opportunities policy**; it receives somewhat less attention in **employment policy**. In the first case, this theme, though traditional, was not explicitly formulated until the year 2000⁴⁷. Equal opportunities came on to the government policy agenda in the second half of the 1990s⁴⁸. Government documents on employment that at least indirectly touch on this theme⁴⁹ mention ensuring equal access to employment and eliminating the gender-based wage gap.

The changes in governments' attitudes have been reflected primarily in the behaviour of entities that are directly or indirectly controlled by government (labour offices, ministries); relative to employers no effective instruments have been found for improving employers' lack of consideration for family interests, less willingness to employ mothers of children or direct discrimination based on gender and marital status. The government's conceptual and legislative work focuses on labour-law measures, the availability of childcare services and eliminating gender imbalances. In the first case this comprises both maternity and parental leave and various forms of work leave in the interest of employees' families, adjustments of working time on childcare grounds and legal standards for taking on and dismissing workers. In the period under scrutiny 1995-2006 there was a fundamental change in services for families with infants (fall in the number of available places, improvement in quality). The needs of parents who have to attend to older children in out-of-school hours, their educational and cultural development, protection from negative influences etc. are neglected.

3rd9th1st Employment in relation to family structure

The scale of the problem with finding the right balance between family and work in the Czech Republic is predetermined by **the high level of employment among women, including mothers**, with the exception of mothers with babies. The rate of

⁴⁷ The result was the drafting of the first "National Report on the Family" in 2004, which was followed up in 2005 by the first explicitly formulated "National Concept of Family Policy".

⁴⁸ The regular "Government Priorities and Procedures for Implementing Equality with Men and Women" was first created in 1998.

⁴⁹ Since 2004 the annual "National Employment Plans of the Czech Republic".

employment (57.5% in 2007)⁵⁰ is at the European average. The number of hours a week spent at work (almost 39) is much higher, however; and at the same time, only 8.7% of women work less than full-time (men: 2.3%) – these are mainly mothers with young children. 20% of employed mothers of children up to age 4 work part-time.

In families with three and more children⁵¹ there tend to be more unemployed persons; and among employed persons there are more people doing less skilled work. Active Employment Policy treats these groups as vulnerable and gives preferential treatment to single mothers, mothers of several children and women returning to work after parental leave.

The age of children influences the socio-professional status mainly by the fact that most women with children up to 3 remain on parental leave (cf. tables 15 and 16). Among other mothers employment increases markedly from the child's 5th to 6th birthday. The development of the **fertility rate** from the middle of the 1990s to 2006 can be characterised by the diminishing pace of its decline, which had been sharp from 1990 to 1996; this was followed by the fertility rate stabilising in 2001 and then increasing slightly⁵². From this point of view the family/work balance is not deteriorating.

Table 15 Employment rate among mothers, by age of the youngest child, 2002, in %

	age of the youngest child		
	< 3	3 to 5	6 to 14
CR	16.8	36.5	69.2
Germany	56.0	58.1	64.3
France	66.2	63.2	67.5
Italy	54.4	51.7	49.4
Sweden	72.9	82.5	77.4
G. Britain	57.2	56.9	67.0

Source: OECD data

Table 16 Economic status of women aged 20-44, by presence of children

women	1993	1997	2000	2003	2004	2005
with children aged 0-4 (thousands)	529.4	390.3	349.2	406.7	416.1	415.3
Structure in %:						
employed	43.4	28.6	25.5	26.8	24.9	26.9
unemployed	4.8	3.9	5.7	4.3	5.0	4.6
economically inactive	51.8	67.4	68.7	68.9	70.1	68.5
without a child aged 0-4 (thousands) *	1280.0	1454.5	1509.0	1430.7	1420.4	1439.6
structure in %:						
employed	83.9	80.5	75.9	75.9	76.2	75.5
unemployed	4.2	5.0	9.4	9.2	8.9	8.6
economically inactive	11.9	14.5	14.7	14.9	14.9	15.8

* Women who only have children older than 4 or are childless.

Source: Focus on Women and Men, Prague, Czech Statistical Office 2004 (Labour Force Survey data)

Roughly 2/3 of today's households are complete family households. If the person at the head of the family is aged 25-49, at which age dependent children are most likely to live in his/her household, the proportion of complete families grows to just under 3/4, with one-parent families increasing to 1/6. A woman is at the head of 85% of one-parent families. Despite their worse position on the labour market, mothers of dependent

⁵⁰ In 2006 it was 56.8%. This is just less than 20 percentage points lower than for men, whose rate of employment was 74.5% in 2007 and 73.6% in 2006. All data are for the 2nd quarter.

⁵¹ There is 9.4% of them among two-parent families with dependent children and 4.3% among one-parent families (Life 2006).

⁵² The total fertility rate was 1.89 in 1990; it bottomed out in 1999 (1.13), growing to 1.33 in 2006.

children from lone-parent families display a slightly higher rate of economic activity than those from two-parent families. The proportion of **multi-generational households** (or possibly households of families living together with another person/other persons) is roughly 2%. Czech families are characterised by a preference for nuclear families living in their own housing, but the distances between relatives' homes tend not to be big and relatives tend to live near enough to enable mutual multi-generational support, which is relatively strong.

Population ageing is a process that is starting to gain in intensity in the Czech Republic⁵³. However, at this point in time the previous trends are at turning point (the post-war baby boom generation is reaching retirement age). The gradual increasing of retirement age is a response to population ageing, which has impacts for the labour market and social protection system. That places greater demands on the family/work balance of family carers (however at present less than 1% of people over 50 who are retired, receiving invalidity pension or homemakers left the labour market for caring reasons (GGs data), or increases the number of those who leave the labour market before reaching retirement age for care reasons (12% of pensioners were not economically active when they reached their retirement age (GGs data)⁵⁴.

The division of domestic chores and caring for children between partners is still based on traditional stereotypes. Despite the predominance of two-income households, men tend to be considered the family's (main) breadwinners and caring for the family is left to the women. Both parents are economically active most frequently in families with 2 children (66%) but they are also both active in more than half of families with a single child and with 3 children. In around 5% of families both parents are inactive (12% when there are 3 or more children)⁵⁵. In one-third of households there is one active partner, but only exceptionally is the inactive partner the man (because of the negligible proportion of men taking parental leave, the lower rate of unemployment and also higher retirement age). To a large extent the gender differences in family/life balancing behaviour stem from gender-based inequality in pay (among other things, it reduces women's motivation to work and sickness insurance benefits).

3rd9th2nd The work/family balance

The Labour Code, in conjunction with family benefits, support longer career interruptions for caring for children, with acceptable financial security for lower-income families. **Maternity leave** can be taken by women in connection with the birth of and care for a child for 28 weeks, or 37 in the case of multiple births, and, up to the end of 2007, by women living alone. **Maternity allowance** amounts to 69% of previous income (at most approx. CZK 14,000 per month in 2007). The vast majority of mothers take the full amount of maternity leave. Just 1% of women make use of their right to return to their original job after maternity leave. The entitlement to **breastfeeding** breaks (two half-hour breaks during the child's first year, or one half-hour break for the next 3 months) is rarely made use of. Men may take maternity leave only in exceptional cases. **Paternity leave** does not yet exist in the Czech Republic, but the introduction of one-week paternity leave is under consideration.

A relatively long period of **parental leave** allowing a parent to care for a child up to 3 years of age, with a guaranteed return to their previous job, follows on from

⁵³ In the years 1990-2006 the aging index grew from 82.4 to 143.3 (after a roughly twenty-year fall and return to a value just over 80), but the dependency index "only" rose from 18.9 to 20.2 and the economic burden index fell from 51.4 to 40.4. (All calculations made by Jitka Rychtaříková for outputs from the GGS project (being prepared for publishing): aging index = seniors 60+/children 0-14; dependency index = seniors 65+/people 15-64; economic burden index = children 0-14 plus seniors 65+/ people 15-64)

⁵⁴ Due to the lack of statistical data we use the GGS data by way of illustration (representative sample but low frequencies of the given social groups)

⁵⁵ The most common form combination of men's and women's status "one employed, the other inactive" is households where one partner is on parental/maternity leave (they account for 17% of households in the given narrower age cohort).

maternity leave. Since 2001 employed men have also been able to take parental leave. Although the conditions have been made equal for both sexes, only a minimal number of men take it (approx. 1% of men). A parent who spends all day caring for a child up to 4 can claim **parental allowance**. The disproportion between the length of parental leave and the duration of eligibility for parental allowance means that if a parent wants to continue caring for a child after parental leave ends (just under half of all mothers), they have to agree with their employer about a later return to work (approx. 1/8 of women) or surrender the job (1/3 of women) and risk unemployment (see tables 17 and 18)⁵⁶. Roughly a fifth of unemployed women could not find work after maternity/parental leave or staying at home (Labour Force Survey data). What is more, nowadays returning to work after a three-year or longer absence means that their qualifications may be out-of-date in many professions; this may be compounded by the lack of contact with the employer, lower self-confidence etc. However, as a result of the lengthening of the study period and increasing age of women giving birth⁵⁷ there is an increasing number of women on maternity/parental leave who are professionally more experienced. These women, in comparison with the less qualified, are more likely to keep in touch with their employer and profession, they return sooner from the parental leave, they are more interested in their job and their employers are interested in getting these experienced professionals back. Therefore the subsequent return to work is somewhat easier for them, from the employer's point of view as well. In 2005 23% of unemployed people with dependent children took place in some of ALMP measures (mostly retraining and subsidised support for employment). The effectiveness of these measures is quite high; the average length of unemployment of participants is significantly shorter (Kulhavý, Sirovátka, 2007). But the effectiveness depends largely on one's own initiative.

Table 17 Proportion of women by child's age when returning to work and by number and by order of children aged 3-10, in %

Returning to work	number (and order) of children in the family					
	1 child	2 children		3 children		
		1.	2.	1.	2.	3.
after maternity leave	1	1	2	-	0	-
before the child is 3	16	10	11	-	7	14
when the child is 3	18	6	12	7	7	14
after parental leave when the child is over 3 years old	37	7	36	0	7	14
did not return to work, housewife, unemployed	28	9	39	14	14	58
stayed on maternity leave with a further child	-	68	-	79	65	-
<i>N</i>	588	227	227	14	14	14

Source: Kuchařová V. et al. (2006 b), *Harmonisation of Family and Employment data*

Table 18 Employment situation of mothers after parental leave at the time when their first child turns 3, in %

I returned to the job I had done before I took maternity leave	26,0
I stayed at home with the child and agreed with my employer that I would return to work later	11.6
I stayed at home with the child and terminated my job with my original employer	17.6
I terminated my employment and started work elsewhere or started my own business	15.1
before the birth of the child I didn't work at all or had my own business – I had nowhere to return to	10.1
I stayed at home on maternity leave with a further child	19.6

Source: Kuchařová V. et al. (2006 b), *Harmonisation of Family and Employment data*

⁵⁶ This discrepancy is a result of politicians' interventions during approval voting in Parliament on parental allowance. So far the main effort to mitigate the negative impacts is that since 2001 unlimited employment was permitted if a child is cared for, but only 5 days a month in institutional care as maximum (or 4 hours a day if a child is over 3 years of age).

⁵⁷ Has been growing since the start of the 1990s, and from 1995-2006 from 23.3 to 26.9.

The level of parental allowance is not income tested. The allowance was fairly low up to 2006 (approx. CZK 3,700); in 2007 it was linked to the average gross wage in the non-business sector (40% of this wage, i.e. approx. CZK 7,600).⁵⁸ Since 2004, a parent collecting the allowance has been able to earn an unlimited amount of extra income, which roughly 15% of women do, usually in the form of occasional earnings or a part-time work. Additionally, since 1996 the conditions governing entitlement to the allowance as regards the use of institutional care for pre-school children have been loosened⁵⁹.

3rd9th3rd Decrease in institutional childcare

Formal **institutional care for children** of pre-school age is provided by nurseries and kindergartens. **Nurseries** are healthcare facilities for children up to the age of 3. The number of nurseries has been in constant decline since the start of the 1990s (see table 19) as a result of the lower birth rate, parents' greater interest in caring for children at home, and the prolonging of parental leave and the duration of eligibility for parental allowance. Their territorial distribution is very uneven, and less than 1 percent of 3-year-olds attend them. Monthly fees vary (from approx. CZK 2,000 to 7,500 a month for daily attendance). Generally children from 3 to 6 attend **kindergarten**, 98% of which are founded by municipalities. Kindergartens are far more accessible, even though their number has also fallen for the reasons given above (see table 19). The kindergarten attendance rate has for long been highest among children aged 4 and 5 (90% and 96% respectively), while the proportion of children younger than 3 has been growing⁶⁰. The kindergarten capacity is starting to be insufficient (the number of applications rejected on the grounds of a lack of places rose more than fourfold to 9,570 from the year 2000 to 2006). The attendance fees of around CZK 700-800 per child per month are acceptable for most families (around 3% of incomes). The last year in kindergarten before the start of compulsory schooling is free. Other alternative childcare services tend to be complementary and are not widely used (by approx. 2% of families).

Concerning the European Union objective of care facilities for children below the age of 3, politicians declare their intent to respect public opinion. However, there are different and contradictory notions. While the empirical studies show that parents of small children mostly prefer caring for children under 3 themselves, there are also voices calling for better day-care services for very young children, e.g. feminist organisations.

Table 19 Number of nurseries and number of places, 1990-2005

	1990	1995	1997	1998	1999	2000	2001	2002	2003	2004	2005
nurseries	1,043	207	101	79	67	65	59	58	60	58	54
places in nurseries	39,829	7,574	2,965	2,191	1,913	1,867	1,717	1,674	1,770	1,708	1,671

Source: Kuchařová V., Svobodová K. (2006)

⁵⁸ From 2008 onwards the parent will choose beforehand how long he/she wants to collect parental allowance and at what level – the highest amount (CZK 11,400) up to the child's 2nd birthday, basic amount (CZK 7,600) up to the child's 3rd birthday, or reduced amount (first CZK 7,600, then CZK 3,800) up to the child's 4th birthday. The new legislation is supposed to facilitate the parents' harmonisation of family and work duties and start of (return to) work. The parent is offered the choice of the duration and level of allowance, but on the other hand he is expected to make a responsible decision.

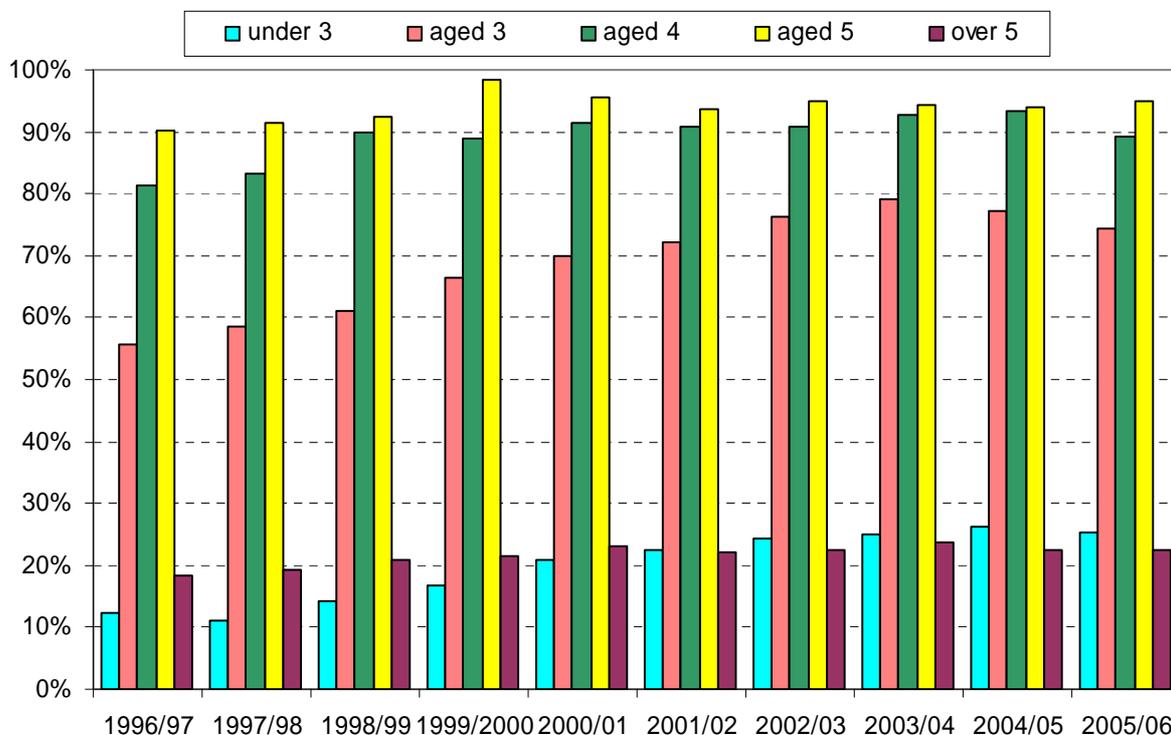
⁵⁹ Since 2006, under-3s have been able to attend nurseries, kindergartens and similar facilities for at most 5 days per month and children aged 3 and over for up to 4 hours a day. From 2008 onwards, parents of 3-4 year old children will be able to choose one of these alternatives without losing their entitlement to parental allowance. According to the Ministry of Labour and Social Affairs database, less than 2% of 2-3 year old children and 13% of 3-4 year old children of parents receiving parental allowance attend kindergarten or nurseries.

⁶⁰ Because of a lack of nurseries children younger than 3 can also attend kindergarten if there is free capacity and they are able to adapt.

Table 20 Number of kindergartens and total number of children in kindergartens

	1989/90	1995/96	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
kindergartens	7 328	6 475	5 901	5 776	5 642	5 558	4 840	4 776	4 710
children	395 164	333 433	290 192	279 838	276 438	278 859	280 491	280 487	278 462

Source: Institute for Information on Education database, Czech Statistical Office

Graph 1 Number of children in kindergartens by age category, in %

Source: Institute for Information on Education database, Czech Statistical Office

Out-of-school activities for (younger) schoolchildren are handled by **school clubs**. Three-quarters of participants are satisfied with the option of arriving at school early (using clubs before lessons), but all participating parents with children up to 10 are satisfied with clubs operating after school. One-tenth of parents would welcome it if the clubs were open longer. The average client's costs in retirement homes were in 2006 approx. 6,3 thousand CZK per month and 2,3 thousand CZK per month in boarding houses for pensioners.

In 90% of families the mother is the one who looks after a **sick child**, in exceptional cases with the help of the father or relatives. Financial support out of sickness insurance of parents of under-10s is provided for at most 9 calendar days (16 if the parent is a single parent) at a rate of 69% of the daily computation base.

Institutional **care for the elderly** tends to be preferred; this service is usually provided by retirement homes, houses providing community care services and boarding houses for pensioners. Their capacity falls short of demand and there are long waiting lists for places.⁶¹ Care for seniors within the family, possibly with external assistance (mainly from community care services), is usually afforded by the seniors' daughters. Because today's young generation are having children later, in future we can expect to see more of the "sandwich generation" phenomenon.

⁶¹ According to Czech Statistical Office data there were 390 retirement homes with 38,700 places in 2006, approx. 150 boarding houses for pensioners with 11,500 places and 900 houses providing community care services with 35,700 places. In 2006 clients of retirement homes paid on average approx. CZK 6,300 a month and pensioners in boarding houses CZK 2,300 a month (http://www.mpsv.cz/files/clanky/4897/ukazatele_akt.pdf).

Direct **financial support** for families with children is provided mainly through the state social support system (effective since 1996), including parental allowance (unlike other benefits it is not means-tested). The tax relief system has changed. Up to 2005 amounts could be deducted from the tax base for a dependent child or a (non-working) wife. Since 2006, deductible items have been replaced by tax discounts, which have benefited low-income families in particular. In the years 2005-2007 a married couple with at least one child could make use of joint taxation⁶². The substantial demotivating impacts of today's social protection system mean that it does not support the harmonisation of family and work. Public finances reform (taking effect in 2008) seeks to increase people's motivation to work and restrict abuses of the social system by tightening the conditions for drawing benefits, reducing the amounts and modifying tax measures.

3rd9th4th Alternative forms of work organisation

From the family/work balance point of view it seems essential to support for the still underdeveloped **alternative forms of work organisation**, which hinders the implementation of other harmonisation instruments. Many Czech organisations have little interest in part-time jobs and, at the same time, employees are not very interested either. In "RZV-employers 2007" (1019 organisations) 64% of respondents declared they offer part-time jobs (10% to the whole staff, 54% only to some employers). However, 61% of organisations with no part-time employees (37% of the whole sample) declare their will to meet their employees' requirements for flexible working hours for family reasons. As a result of the low level of interest on both sides, if employers do apply these new forms, their motive is usually their own interests and only rarely consideration for their employees' family duties. In the above-mentioned sample, half of the firms offering part-time jobs do so to suit both the employer's needs and the employees' needs, while 25% do so for the needs of the former and 22% for the needs of the latter (see also more flexibility for men in table 21). It is necessary to prevent the effect of undesirable concomitant phenomena like negative flexibility, to minimise the negative impacts both on position at work, working conditions, education and career advancement, and on the entitlement to employee benefits, as well as controlling the impacts on social protection (in particular pensions, but the level of contributions paid towards social and health insurance can also be a problem⁶³). Part-time work is the most common form of work flexibility – just under three-fifths of firms offer it (one-tenth offer it to all employees) and 5% of employees make use of it. The reason for this is the lack of interest, for different reasons, among both employers and employees⁶⁴. Mothers from two-parent families are slightly more likely to work part-time than single mothers (11% and 6% respectively). The second most widely used working time arrangement is a flexible choice of start and end time (permitted by 50% of firms). Other forms are sporadic in incidence at the present time (see table 21), including work from home.

⁶² In 2005 and 2006 it was used by more than a third of families with children, who were refunded on average CZK 11-14,000.

⁶³ One example is the duty to pay a minimum health insurance contribution corresponding to the minimum wage, but the wage of less skilled people doing part-time work may be lower.

⁶⁴ In view of the low number of families with more children and the scarcity of part-time work there is little point comparing the influence of the number of children and moreover by gender.

Table 21 Arrangement of women's working time in selected professional groups and by age, partial comparison with men, in %

	fixed	shifted	flexible - hours	flexible - days	individual arrangement of working time	other
Women total	81.6	3.6	7.6	2.6	2.9	1.9
legislators, senior officials and managers	64.8	10.0	16.0	6.1	.	.
professionals	70.1	6.1	14.0	2.9	4.8	2.1
trade and services workers	85.9	1.3	1.6	2.1	5.2	4.0
craft and related trade workers	92.5	2.1	1.8	.	1.5	1.5
plant and machine operators and assembles	96.7	0.6	0.8	1.1	0.6	.
of which, in age groups: 15-24	81.2	3.6	8.1	2.6	3.1	1.5
25-29	79.8*	3.8	9.1	2.7	2.7	1.9
30-44	81.6*	3.5	7.4	2.7	2.9	1.9
45-59	82.7	3.3	7.3	2.4	2.4	1.8
60+	73.8	6.1	5.0	.	9.5	3.8
Men total	76.6	4.8	7.4	3.3	5.1	2.8

Source: Work Organisation and Arrangement of Working Time according to the results of Labour Force Survey ad hoc module 2004, Czech Statistical Office

* in these two cohorts the share of men working on fixed working hours is lower than that of women (76.6% and 73.3% respectively), although it is the women who care for children

3rd9th5th Role of the social partners

Much of **trade unions agenda** is taken up by topics that are indirectly linked to the family/work balance. The harmonisation agenda has featured in their basic programme documents, however. Collective bargaining makes it possible to increase employees' ability to negotiate with employers about consideration for family commitments but is still not used sufficiently in this regard at enterprise level. Most higher-level collective agreements (i.e. those negotiated in sectors) contain provisions on the extension of paid leave beyond the framework of the labour code in the event of a death in the family, the birth of a child and to accompany a child to a healthcare facility. In most cases the HLCA merely lays down a framework, and more detailed rules on paid leave are contained in enterprise-level collective agreements. Other measures include provisions on contributions to employees' recreation (this is a traditional and financially trifling form of corporate social policy in the Czech Republic) and for children to attend pre-school facilities; we have also registered cases of employer commitments to modify the extent and regime of working time, i.e. the start and end of working time in the case of single parents etc.). Detailed provisions implementing equal treatment and the discrimination ban are contained in almost 16% of enterprise-level collective agreements (year 2007).

The 1996-2006 brought merely minor changes in **employers' behaviour (see e.g. forms of work organisation)**, despite the growing pressure brought by government and non-government entities, the influence of foreign firms⁶⁵ and increased public demand. It is still somewhat exceptional for employers to offer employee benefits or alternative work organisation options that are not specifically required by law⁶⁶.

⁶⁵ They themselves do not always respect the relevant European standards consistently, however.

⁶⁶ Companies do not go beyond their obligations stemming from collective agreement (or perhaps indirectly from the Labour Code, e.g. where training is concerned) in offering employee benefits to support employed parents. Employees most commonly have the choice of using fully or partially paid education or training (43%), and much less often paid healthcare (28%). Voluntary benefits are much less frequent: e.g. sport and cultural activities (26%) or contributing towards child minding or nurseries and housing, which is minimal (2% and 4% respectively).

Employers enable one-third of employees to define their own working time due to caring for a child (women: 40%; men: 30%). However, there is almost no initiative to cooperate with employees on parental leave, unless the employee is highly skilled (employees neglect this aspect as well). Gendered approach is still not exceptional (see table 22). There is an insufficient **employers' awareness** that supporting employees' family commitments is reflected in the effectiveness of their work and the company's prestige.

Table 22 When and how did employers give different treatment to a woman because of her parent status – experiences of mothers of children up to 10 (18% of mothers declared at least one experience)

37 %: When selecting workers for management posts (a man or a woman without small children was preferred)
24 %: When recruiting (she was rejected, less interest shown in her etc.)
22 %: When distributing work among co-workers (allocated work that was less demanding or responsible, worse-paid)
19 %: When reducing the number of workers by offering or suggesting that she should stay at home with the children instead
6 %: When dealing with partners (less confidence that the deadline for or quality of an agreed task will be met)

Source: *Harmonisation of Family and Employment data*

3rd9th6th General conclusion

As far as the family/work balance is concerned, the **interests and competences of various actors** on the labour market and in other spheres are not harmonised and often **collide**. Despite some progress, the relationship between and **coordination of the activities of various entities** involved in supporting the family/work balance – i.e. the state, employers, trade unions, and also municipalities and NGOs – should be improved. The new legislation on parental leave and entitlement to parental allowance (same conditions for men, cancellation of the extra earnings limit and option of placing the child in children's day care facilities while receiving parental allowance) comes up against inflexible behaviour on the part of the other subjects. The low supply of part-time work and the impossibility of using flexible working time practically force women either to take full-time work or not work at all. In the context of lifelong learning, not enough attention is paid to the specific requirements of retraining and updating qualifications for parents finishing parental leave. Moreover, changes cannot be achieved unless gender imbalances are eliminated in the family, in education and in other spheres, including the reflection of such imbalances in the media.

3rd10th Child labour, forced labour (Pavel Bares, Mgr.)

3rd10th1st Child labour and commercial sexual abuse

Child labour does not appear to be a problem in the Czech Republic and practically all children complete compulsory schooling. Labour relations with children under 15 or still in compulsory schooling are forbidden. The only exception is for the performance of artistic, cultural, advertising or sporting activity by children, with the understanding that the parents must seek the relevant labour office's permission. The labour offices issued 4,226 permits in 2005; there are 594,645 children aged 10-14 (i.e. the age group usually concerned) living in the Czech Republic. In 2002 the Ministry of Labour and Social Affairs (MoLSA) conducted research into the incidence of child labour in the Czech Republic. The research revealed that there are tens or at most hundreds of cases a year, with deliveries of newspapers and other print materials being the most frequently done work.

People aged between 15 and 18 are covered by tighter employment conditions. One of the conditions is a curtailed working week of at most 30 hours a week. In practice that has proved to be a discriminatory measure, because employers do not want to take on young workers. This mainly involved 2 groups of people. First, students doing temporary work on summer holidays; second, people who have completed compulsory schooling or vocational training. Instead of starting work and gaining experience, they have stayed at home. An amendment of this provision is currently under consideration by which a protected age limit is reduced to 16, the previous limit.

Child labour has for long not been a problem in the Czech Republic. The key factor has been historical development – compulsory schooling was introduced in the territory of the Czech Republic in the 18th century and child labour was banned in 1919. In addition, since then the state has possessed and still possesses powers to take children away from their families (which is currently the focus of criticism). Parents have thus developed a strong awareness of the state authorities' restrictive approach in the case of neglect or disruption of children's upbringing, i.e. also in the case of forced labour. A second determinant is the current situation of families with children. Parents usually view a child's education as a crucial aspect its life, and there is little pressure for children to go out to work early. Besides these basic characteristics supporting awareness in society that child labour is not acceptable, another key factor is the comprehensive legislation regulating child labour substantially in favour of the child or minor.

Although there is practically no incidence of child labour in the majority population, we find some forms of child labour among the Roma population. There are cases where parents do not send their children to school, and possibly send their children out begging. It is, however, impossible to quantify these cases. Whatever the case, the number of children is not large.

The incidence of sexual abuse of children is more serious. The issue of commercial sexual abuse of children was for long ignored by state institutions. NGOs focusing on this issue were also in a very difficult position. The main reasons lay in the latency of the phenomenon and former state institutions' unwillingness to admit that this phenomenon existed. Regrettably, there are no estimates quantifying the scale of sexual abuse of children.

3rd10th2nd Forced labour and human trafficking

The phenomenon of forced labour has not yet been thoroughly addressed in the Czech Republic. The law, state institutions, the NGO and research institutions have all treated the issue of forced labour and the fight against it as one of the aspects of human trafficking. It is only treated as a separate topic in exceptional cases, most often in the

media or in campaigns by some NGOs seeking to sharpen the public's perception of this phenomenon Government institutions concentrate mainly on the issue of sexual abuse.

Reports, events and information campaigns organised by NGOs (e.g. La Strada Czech Republic, Czech Catholic Carita and the International Organisation for Migration) highlight the fact that forced labour and human trafficking also take place in the Czech Republic. As far as human trafficking is concerned, the Czech Republic can currently be described as both a transit and a target country. In the mid 1990s it was also a source country.

Qualitative studies provide some idea about forced labour. The authors of Human Trafficking in the Czech Republic (2004) characterised the **current state of affairs** as follows: "The sectors where cases of human trafficking have occurred or which (partly based on experiences abroad) human trafficking can be assumed to take place in are: construction, agriculture, small industry and manufacturing, and possibly housework. One specific type of human trafficking that has occurred in the Czech Republic (Prague and Brno) in the past is human trafficking for begging purposes. This involved Romanian children who were forced into organised begging on the streets and public transport in the city centres. The money was then taken off them by a man into whose care the children had been placed by their parents. If the children did not collect enough money, they received corporal punishments. The incidence of human trafficking is not evenly distributed across the country. There are areas where more cases of human trafficking have been registered, and there are areas where there have been none."⁶⁷

In connection with human trafficking, or more narrowly forced labour, the concerned public, state institutions and NGOs focus rather on the "**client system**" (work mediated by an intermediary) or more generally on the status of migrants (primarily illegal and illegally employed migrants) in society. According to the report on the results of sociological research entitled "human trafficking primarily for the purpose of forced labour" from 2005, work brokering is a mass phenomena and an everyday aspect of migration reality, and it is done for a fee and involves various commitments. It is closely linked with illegal work⁶⁸ and is supported by demand for immigrant labour, especially in areas of low-skilled, manual, monotonous, physically demanding and low-paid work.⁶⁹ Other studies throw up similar findings⁷⁰.

According to a survey conducted by La Strada, it is a reasonable assumption that repeated violations of the Czech Republic's commitments in respect of internal and international conventions and treaties are taking place. This can be assumed for several reasons: "The Czech Republic has neither ratified nor signed any of the key international treaties on protection of working migrants (1990 UN Convention on the Protection of the Rights of All Migrant Workers and Their Families, ILO Convention No. 97 on Migration for Employment, ILO Convention No. 143 on supplementary provisions on migrant workers). Nor is forced labour defined in internal legislation. However, Convention No. 29 provides that it should be subject to punishment as a crime and, moreover, the Czech Republic is to ensure that punishments are effective and consistently imposed. Czech criminal law contains no mention of the crime of forced labour, however: it only contains blackmail and coercion."⁷¹

⁶⁷ La Strada Czech Republic (2004): Human Trafficking in the Czech Republic. [online] http://www.strada.cz/download/files/publikace/OBCH_CR.PDF [obtained on 29.11.2007 15:10].

⁶⁸ Estimates put the number of foreigners working illegally at 40,000 to 120,000, and sometimes as many as 250,000.

⁶⁹ INTERMUNDIA (2006): Report on the Results of the Sociological Survey Entitled "Research into Human Trafficking Primarily for the Purposes of Forced Labour". p. 10. [online] <http://www.mvcr.cz/2003/odbor/obp/intermundia.pdf> [obtained on 12/11/07 16:05]

⁷⁰ Report on the Results of the Sociological Survey Entitled "Research into Human Trafficking Primarily for the Purposes of Forced Labour" (2005); Helping Victims of Human Trafficking – Prevention and Support (2006); and Pilot Survey of the Human Trafficking Environment in the Czech Republic (2005)

⁷¹ La Strada Czech Republic (2006): Press release.[online] <http://www.strada.cz/download/tiskove-zpravy/tzroundtable.rtf> [obtained on 12/11/07 16:09]

National strategy and legislation

The **National Strategy** of the Fight against Human Trafficking for Sexual Exploitation Purposes in the Czech Republic for 2003-2005 covered just one type of human trafficking – that done for the purpose of sexual exploitation. The subsequent National Strategy for the Fight against Human Trafficking (for the 2005-2007 period) (hereinafter the "Strategy") widened the scope of forms of human trafficking and also covers forced labour. In the part devoted to Strategy measures it summarises new legislation, deals with the work of the criminal justice authorities and NGO activities for the prevention of human trafficking and care for its victims.

One fundamental change to the **legislation** was the rescinding of Section 246, human trafficking for the purpose of sexual intercourse, in the criminal code and its replacement with Section 232a, human trafficking. Under this provision, human trafficking for the purpose of sexual intercourse, other forms of sexual exploitation, slavery, bonded labour, forced labour and other forms of exploitation are criminal (in the case of adults it is a criminal offence if it was forced by other persons according to enforcement definition in this Section in the case of minors unconditionally). Other related changes to the legislation affecting the area in question followed. At present, an updated version of the Strategy for the coming two-year period is near approval.

Another major change was the introduction of Section 42e in Act No. 326/1999 Coll., on foreigners' residence. The change allows asylum or long-term residence to be granted for protection purposes to persons who are probably victims of the crime of human trafficking pursuant to Section 232a of the criminal code.

The criminal code contains no crime of forced labour, but it does provide for the crimes of blackmail and coercion. These provisions make it a crime to force a person to do something, omit to do something or suffer by violence or by threat of violence (blackmail) or by abusing duress or dependency (coercion). Forced labour may be subsumed by these provisions (Burčiková 2004).

Fight against forced labour and human trafficking

Since 2004 the Ministry of the Interior of the Czech Republic has been implementing a **Programme of Support and Protection for Victims of Human Trafficking** (hereinafter the "Programme"). This followed up a pilot project implemented since 2003 under a UN project. The Programme's aims are, first, to provide support to victims and ensure the protection of their human rights and dignity and, second, to motivate them testify as witnesses in order to help the criminal justice authorities identify, prosecute, convict and punish the perpetrators of crimes related to trafficking.

In 2005, an **interdisciplinary working group for the support and protection of victims of human trafficking** was set up in the Czech Republic. The actual creation and composition of this working group can be viewed positively. The group is made up of representatives from the Ministry of Interior, the police and non-governmental organisations. Minutes from their meetings indicate that the fight against forced labour and human trafficking is currently being conducted on 4 different fronts (Minutes from the Round Table, 2006):

- 1) Research into the issue
- 2) Creation of manuals, training and education for police officers, judges, public prosecutors, labour office staff etc.
- 3) Information campaigns directed at the target groups
- 4) Legislative adjustments

The following measures are also under discussion (Minutes from the Round Table, 2006):

- 1) setting up a mediation agency to eliminate the client system
- 2) making it easier to acquire work visas and to take on foreigners (at present employers have to wait at least a month to see if a Czech or EU citizen applies for the job; only then can the job be offered to foreigners)

- 3) improving control and supervision over employment agencies, who are often found to exploit labour; stronger penalties for offences⁷²
- 4) introducing the crime of illegally employing foreigners
- 5) campaigns to make the Czech public and Czech employers less tolerant of the exploitation of foreigners

Unfortunately, there is no consensus on whether to create a separate law dealing with human trafficking and forced labour.

⁷² As a rule the “client” in the Czech Republic has a duly registered company for mediating work or a building or cleaning firm. Besides mediating work, the client also offers migration and other services, ranging from transport and accommodation to legalising the immigrant’s stay in the Czech Republic. Transport and administration are usually provided as one “package” for a one-off free or “on credit”. The mediation of work, housing and “protection” are usually deducted from the worker’s pay. It is evident that the client’s capital lies in his contacts and ties, whether these be businesses in the Czech Republic or informal networks in the source country.

4th Linkages between different elements of working and employment conditions.

4th1st Combination of individual aspects

Decent work cannot be defined exactly, because everyone has slightly different expectations of paid work and everyone places the emphasis on something else. Whereas some people may refuse to work at night, others prefer it because it brings in more money and allows them to devote themselves to other activities during the day. Some people would like to organise their work independently, others prefer working in a system firmly established by their employer. Some people prefer working more hours for more money, others prefer the reverse. And we could go on like that.

For that reason, we define decent work as "ideal", as suitable conditions put in place between the employer, employee and the state. An exact definition of decent work may lead to the introduction of unilateral measures (above all legislative), which in the long run may turn out to be unsuitable or even discriminatory. A change cannot be made in just one area, therefore, as the individual aspects are complexly interlinked. We have tried to identify the main links in this issue, but this is by no means a full list.

4th1st1st Situation on the labour market, bargaining positions and job security

On the one hand, employer and employee have opposing objectives. On the other hand, employers need employees and vice versa. What is important, therefore, is to agree on suitable and dignified conditions that suit both parties in the long run. What the final conditions are depends on the bargaining position of both parties. Bargaining conditions evolve over time in line with laws and regulations, the standard of social dialogue, and the situation on the job market.

The **labour market situation** can be regarded as a **key factor** influencing decent work. High unemployment weakens workers' bargaining position. That affects the unemployed, who are forced to accept worse work and thus also worse working conditions due the lack of alternatives. It also affects existing employees, as high unemployment makes them afraid to complain about their employer's violation of regulations and agreements. When there is high unemployment, employers realise that although employees may not be entirely satisfied, most of them cannot afford to leave their job. In the case of extremely high unemployment, employers do not even have to pay attention to work safety. Workers affected by injury, death or illness can be replaced with new workers without difficulty. This was the situation that prevailed in 19th century Europe.

When unemployment is low, the bargaining positions are reversed in favour of labour. Low unemployment compels employers to take more care of their employees. Not only do employers implement the legal regulations (e.g. extra pay for overtime), they even devise programmes over and above their legal duties to ensure that employees are as satisfied as possible and do not leave the firm. Finding and training a good worker is expensive, especially in times of low unemployment.

There is evidence of the aforementioned relations in the Czech Republic. According to surveys by the Centre for Public Opinion Research ("CVVM"), **satisfaction** with individual aspects of work are **closely linked to the rate of unemployment**. If we compare 2002 and 2006, i.e. a period of high unemployment and a period of falling unemployment⁷³, considerable differences are evident. 66% of respondents described unemployment as too high in 2002; in 2006 the figure was just 46%. 40% of employees

⁷³ After 1996 unemployment grew and stayed high until 2004. Since then it has been falling sharply.

were satisfied with their job security in 2002 and 64% in 2006. 37% of employees were satisfied with their pay in 2002 and 58% in 2006. There was clear increase in satisfaction with all the aspects of work under scrutiny (see table 23), particularly in job security.

Table 23: Satisfaction with aspects of work and assessment of the rate of unemployment

	2002	2006
	Agree	Agree
Unemployment is too high	66%	58%
	Very satisfied + fairly satisfied	Very satisfied + fairly satisfied
Satisfaction with:		
length of work, shift system	69	78
the workplace environment and its facilities	58	73
job security	40	64
strain of work	58	72
organisation of work in your workplace	61	74
how your employer looks after his employees	47	67
pay	37	58
application of your professional skills	73	81
your boss	65	75
interpersonal relationships in your workplace	66	81
how interesting the work is	73	79

Source: CVVM, 2002, 2006.

One explanation for these changes is that the "value" of employees rose, which improves their bargaining position. Employers are forced to pay higher wages and are more willing to accept various regulations and agreements affecting all areas of decent work. This demonstrates the importance of a functioning labour market.

It is only a slight exaggeration to say that without a functioning labour market the majority of legal measures designed to improve the quality of working life will come to nothing and will be obviated in practice. From this point of view **the labour market is the key and primary factor in decent work**. It is important that any legal measures adopted in other dimensions of decent work do not worsen the situation on the labour market.

4th1st2nd Channels for influencing working conditions

The labour market is essential for ensuring quality of working life because it influences the individual actors' bargaining positions. By itself the labour market is has no content influence, however: it merely mediates the interests of employers and employees, supporting one or the other side depending on the situation. The reality in the workplace actually depends on completely different factors, however. These factors are: what is customary in society, what employees demand and what employers demand.

We can find at least **six channels influencing working conditions**. First of all there are the **laws** that create the space and "playing field" for negotiation. Second, there are **government policies** designed to financially motivate the actors to behave in a certain way. Third, there is **social dialogue**, which mediates the interests of employees and employers. **Bargaining between the actual employee and employer** forms a fourth channel. Fifth, there is **lobbying**, both by trade unions or employer associations and by NGOs. And the sixth channel – often overlooked but certainly important – is "**social marketing**". Social marketing is a process of marketing campaigns to influence perceptions and stereotypes. Social marketing is often used by NGOs striving to improve the situation in specific areas of interest.

4th1st3rd Education and qualifications as a key factor for both employees and employers

Education and qualifications would seem to be key aspects of decent work. This means the educational structure of supply and demand on the job market. **Unemployment in the Czech Republic is largely structural.** The imbalance between what educational standard and qualifications are available and what are required has negative impacts for employers, employees and also the state. Employers are unable to find suitable new workers and their competition for workers push up their costs. There are far fewer vacancies for unskilled job-seekers than there are for skilled candidates. In October 2007, there were 1.7 candidates for each skilled work vacancy, compared with 5.5 candidates per unskilled job. As a result, unskilled job-seekers are compelled to accept jobs with worse working conditions. And ultimately unemployment causes the state to lose out on tax revenues.

It is interesting the Czechs are aware of the importance of their children getting a good education but neglect their own education, even though **better education substantially boosts an individual's competitiveness on the labour market**, professional mobility and wage differentiation.

On the one hand, the insufficiency of further education can be attributed to the non-existence of a functional further education system; on the other hand, workers themselves are reluctant to participate in continued learning, especially older workers with lower levels of education.

4th1st4th Unemployment trap

The term "unemployment trap" is usually used to describe a situation where incomes from social benefits are greater than work incomes minus the cost of working (e.g. travel expenses). Put simply, it does not pay to work. This usually applies to lower-skilled workers who work for low wages.

The number of people falling into the poverty trap can be increased or reduced through two basic instruments – the level of the subsistence minimum and the minimum wage. The net minimum wage should be higher than the subsistence minimum. Various aspects have to be taken into consideration when calculating the level of the different instruments. A marked increase in the minimum wage may result in upward wage pressure in all income bands and in increased unemployment among those people who were previously on the minimum wage. Conversely, reducing the subsistence minimum too far may result in reduced social protection for the population.

Table 24 depicts the relationship between the subsistence minimum and the minimum wage in the Czech Republic. The table shows clearly that the individual's net minimum wage was lower up to 1999. If we consider a four-member household (2 parents + 2 children), their minimum wage was still lower than their subsistence minimum in 2005. For some time, then, the situation in the Czech Republic has not motivated low-income groups to work. A negative or small difference between the minimum wage and subsistence minimum encourages voluntary inactivity on the official labour market and involvement in the informal economy.

Table 24 Subsistence minimum and minimum wage in the Czech Republic

	SM of an individual	SM of four-member family	Minimum wage	Net minimum wage	NMW/SM1	2*NMW/SM4
	(a)	(b)	(c)	(d)	d/a	2d/b
1995	2440	7840	2200	1908	0,782	0,487
1996	2890	9110	2500	2187	0,757	0,480
1997	3040	9570	2500	2187	0,719	0,457
1998	3430	10470	2650	2319	0,676	0,443
1999	3430	10470	3600	3112	0,907	0,594
2000	3770	11160	4500	3772	1,001	0,676
2001	4100	11980	5000	4180	1,020	0,698
2002	4100	11980	5700	4702	1,147	0,785
2003	4100	11980	6200	5080	1,239	0,848
2004	4100	11980	6700	5457	1,331	0,911
2005	4300	12400	7185	5806	1,350	0,936
2006	4420	12680	7955	6428	1.454	1.014

Source: MoLSA (Ministry of Labour and Social Affairs), own calculation.

4th1st5th Social protection and poverty

In terms of poverty, the Czech social security system is fairly efficacious. According to RILSA studies, leaving out the influence of social transfers 38.67% of the population of the Czech Republic fall below the poverty line (60% of median wage). When all social transfers are factored in, the rate of poverty is just 8.13%. The effect of social transfers in reducing poverty is almost 79%. (Sirovátka, Trbola, 2006)

The way **unemployment benefit** is set up is also positive. This benefit is paid at a level of 50% of previous wage for the first 3 months after the loss of employment and 45% for the next three months. This has proven to be suitably devised, as it does not prevent termination of employment and motivates those affected to find work fast.

4th1st6th High tax and social contributions

To finance the social systems, high contributions are levied on labour. In 2006, tax and social payments to the state accounted for 41.5% of total labour costs. Combined with rapid growth of nominal and real wages, the tax burden acts as a **brake on the Czech economy's competitiveness**.

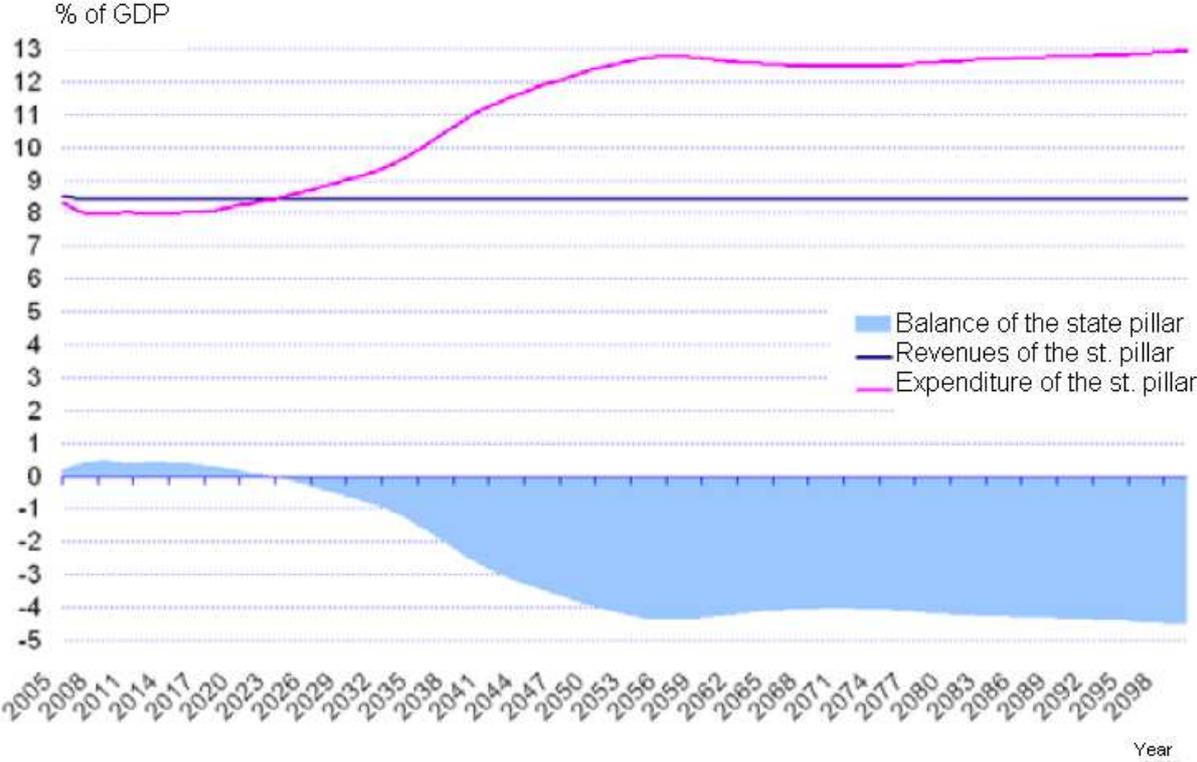
The high cost of labour ensuing from high tax and social payments does not just harm Czech firms' competitiveness; it also **encourages the informal economy** in several ways. First, taking on staff without contracts; second, paying part of wages "cash in hand", and lastly; work done under a trade licence (see chapter 3.1.2).

4th1st7th Population ageing and the social system

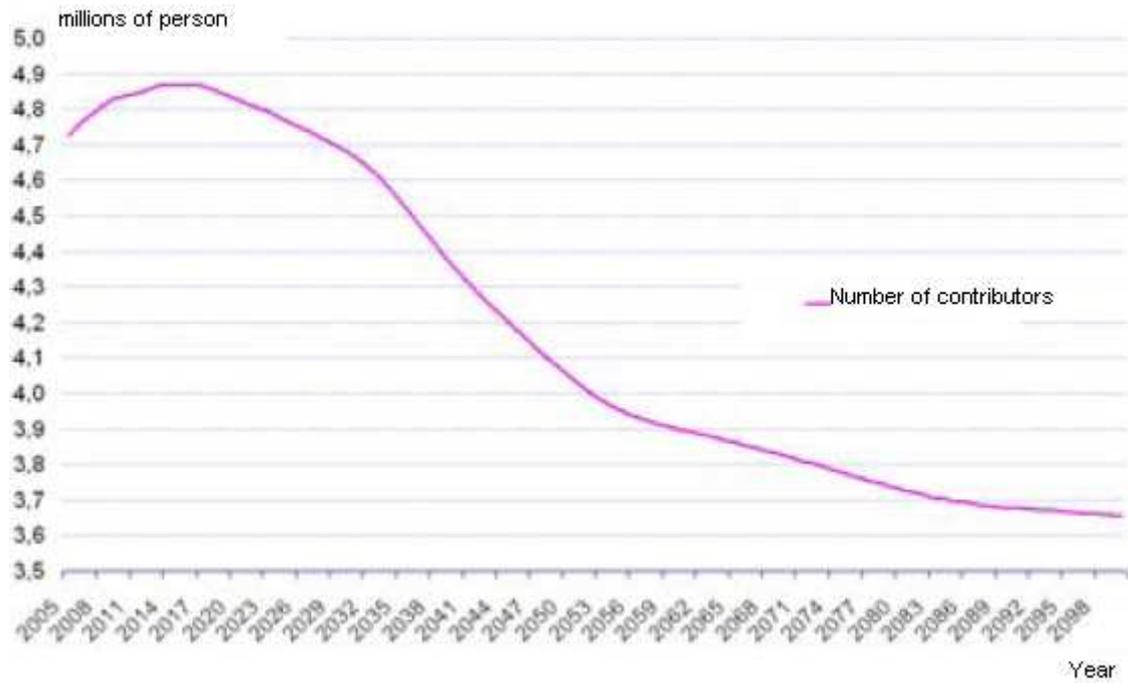
The state of social insurance revenues and expenditure is mainly dependent on the demographic structure of the population, economic development and the rate of

employment. The post-war baby-boomers are currently reaching retirement age, with most of them leaving the labour market. In 2006 the over-65s accounted for 14% of the population; in 2020 this ratio is expected to be over 20%. The demographic development therefore suggests that the pension account will be permanently in deficit in future. What is decisive for the future balancing of the pension insurance system (PAYGO financing) is not so much the actual development of the number of contributors or pensioners as the "dependency rate", which is the ratio between the number of pensioners and the number of contributors. The expected change in the demographic situation will be reflected in the expenditure and balances of the pension system. Under the current set-up of the various parameters, the pension system essentially does not react to the changing dependency rate. The system is falling into permanent deficit, which will gradually exceed 4% of GDP. After 2020, after a period of significant growth, expenditure will stabilise at a level just below 13% of GDP. Even so, this system is not financially sustainable in the long run.

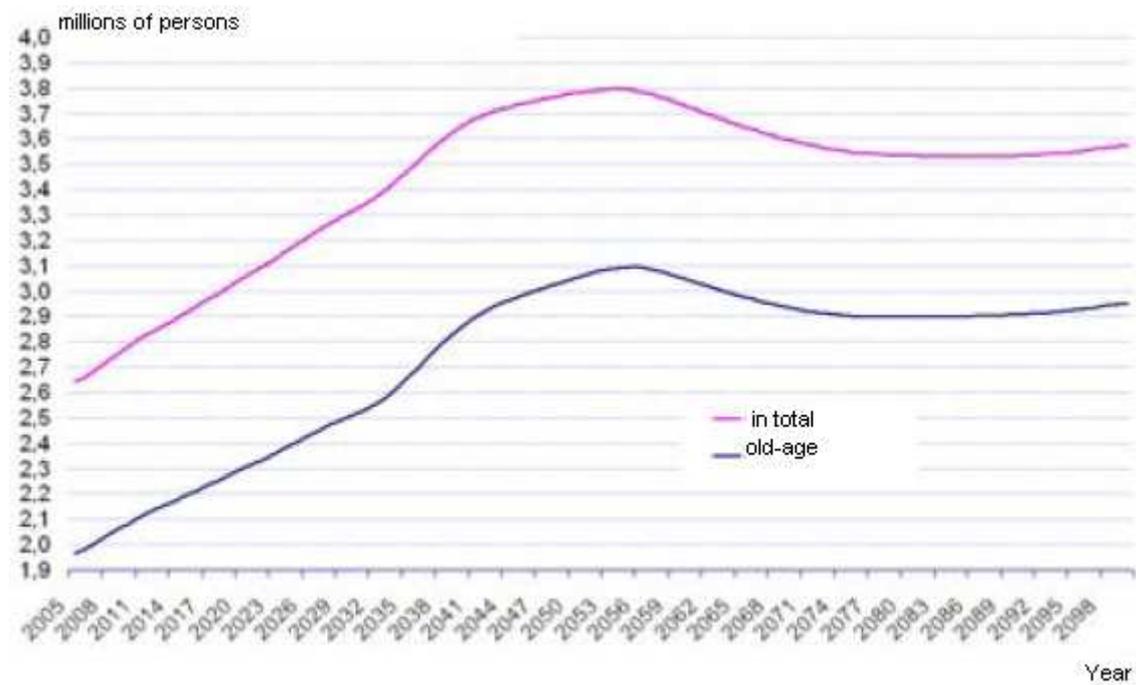
Graph: Developments in pension system revenues, expenditure and balances (% of GDP)



Graph: Number of contributors

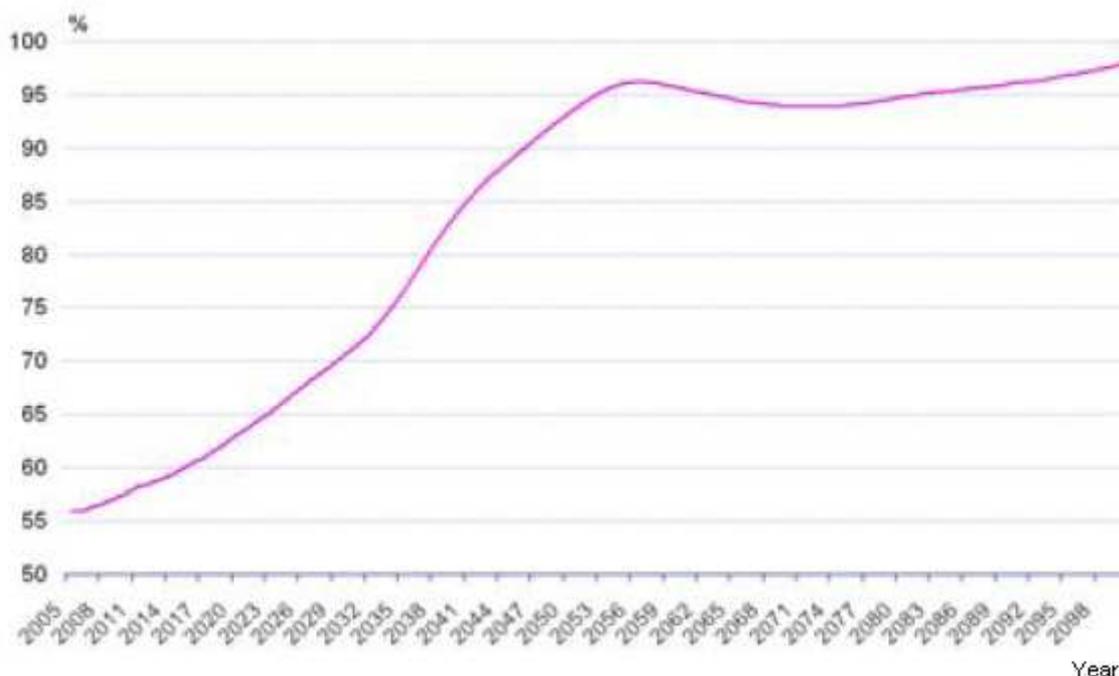


Graph: Number of pensioners



Source: Actuarial reports 2006

Graph: Dependency rate



Source: Actuarial reports 2006

4th1st8th Social protection and its abuse

There are two major areas of social system abuse in the Czech Republic. The first is abuse linked to sickness insurance, the second is abuse linked to the poverty trap.

Sickness insurance is quite widely abused by both employees and employers. For example, employees take sickness leave instead of holiday, fake illness because they cannot be laid off while off sick, or use sickness as a way of dealing with their unemployment. Employers deal with the problem of insufficient orders by sending workers on sickness leave (this is often the case with seasonal workers). Sickness pay has for that reason been reduced in recent years, especially in the first days of illness; starting in 2008, sickness pay will only be paid from the 4th day of illness. The effective date of another change designed to involve employers more has been deferred. Under this proposal, employers would pay the first two weeks of incapacity for work, and in return would have to pay reduced contributions towards sickness insurance.

The second type of abuse affects **social benefits in unemployment**. Besides the aforementioned unemployment trap, the social system is abused in cases of informal work, where unemployed people collect social support while doing undeclared work (for more see chapter 3.1.2).

4th1st9th The social system and its administration

Fragmented administration is other problem in the Czech social protection system. Some contributions are administered by the labour offices, others by regional and municipal authorities. The fragmented nature of the system means that it is not clear whether claimants are deliberately avoiding work or not. Legislation designed to create a single authority to handle both labour market policy (including benefits) and other social benefits (bar pensions and sickness insurance) is currently under discussion. One risk of the proposed change may be that the disbursement of benefits may merge into one with counselling and active labour market policy. It is not appropriate for one official to administer benefits and simultaneously provide clients with counselling.

4th1st10th Legislation – prohibition, regulation or deregulation?

There are essentially three legislative approaches to decent work. First, one may ban or require certain activities as seen fit. Second, an activity may be permitted but regulated. And the third option is to deregulate the given area. It is not possible to state a priori which approach is more effective, but examples have shown that deregulation is often more effective than regulation or prohibition.

It has been demonstrated in practice that if a certain law is out of step with reality it will be obviated, and a ban may actually worsen the situation instead of resolving it. We can mention the employment of foreigners as an example of excessively stringent and probably unsuitable regulation. It is fairly difficult to employ foreigners, because employers have to wait one month for a Czech or EU citizen to apply for the vacancy. Only if no such person applies can the job be offered to foreigners. Given the amount of time and difficulty involved in obtaining work permits, employers get round this provision in two ways. First, they employ foreigners illegally and do not register them with the authorities. The second way to employ foreigners is through agencies. Employers do not have to deal with complicated administrative measures – they simply sign a contract with an agency. Agencies often have branches in countries where they recruit and then employ the foreigners in their country of origin. They send workers to the Czech Republic on “work trips”. There are pronounced risks in both cases. Not being on an equal footing with employers, these workers are forced to accept inappropriate working conditions, low pay, considerably extended working time and the fact that the employer will not be liable if the worker suffers a work injury. The foreigners are often in a position of subjugation to the agent who brokered the job. In addition, the state loses out on tax revenues. One legislative measure being considered is a stricter ban on the employment of foreigners. This is gradually being overridden by the opposing view, i.e. that the Czech labour market should be opened up more to foreigners and it should be easier for employers to take on foreigners. Accession to the EU did away with a major portion of illegal employment: formerly illegal workers became legal.

Another example may be permitting the unemployed to earn extra. In the past it was not permitted to earn while claiming unemployment benefit. For that reason unemployed people carried out various occasional temporary jobs undeclared so as not to lose their unemployment benefit. But this kind of temporary work helps the unemployed person keep in touch with the labour market. Permitting extra earnings up to the level of half the minimum wage legalised some illegal work and resulted in less obviation of the law.

Of course, bans or injunctions are important in some areas (e.g. child labour). All the same, to a large extent the decent work issue is best approached in legislative terms by mere regulation or deregulation. Work at atypical hours, such as evening, night or weekend work, may be a suitable example. Banning work on Sundays would help some people while harming a large number of others. That makes regulation, in the form of bonuses for work at atypical hours, appear more appropriate. This will satisfy the employee, who earns more money for the same work, the employer, who can extend opening hours, and the customer, who can use the services in these unsocial hours.

4th1st11th Social dialogue

The social partners may influence working conditions and other aspects of the labour market by participating in the legislative process and negotiating higher-level and enterprise-level collective agreements.

Trade unions and employer organisations are required by law **to respond to draft legislation** affecting employers’ and employees’ interests, even though the ultimate decision is down to the state. The social partners discuss a number of legislative

drafts in the tripartite Council of Economic and Social Agreement. Recently discussed issues have been the new labour code, public finances reform, and healthcare reform. Here it should be mentioned that the social partners do not see eye to eye – there is much mutual distrust. For example, employers believe that the current labour code is utterly unsatisfactory, while the trade unions think it is fine. The biggest problem in the tripartite system is its high dependency on the government in power. This high dependency stems from the fact that the Council of Economic and Social Agreement is not enshrined in law.

At sectoral or enterprise level the social partners are involved mainly in **negotiating collective agreements**. Enterprise-level collective agreements contain provisions on cooperation between the contracting parties, more specific provisions on trade union powers and, in particular, employers' commitments and employees' rights and entitlements in the question of working conditions, pay and social commitments and employment. Higher-level collective agreements are formulated in more general terms and concentrate on defining minimum standards in the sector affecting wage conditions (including bonuses for overtime, work at night, on Saturdays and Sundays etc.), working hours, social conditions and employee benefits, occupational health and safety etc. Collective agreements also apply to trade union non-members.

In addition, **the trade unions are by law required to oversee compliance with occupational health and safety** and in extreme cases may stop production. The high professional standard of workers dealing with work safety risk assessment is one advantage of this system.

Wage demands are one of the trade unions' most frequent themes. Wage development is specified to some extent in the majority of higher-level collective agreements concluded in the private sector. The negotiated wage growth is usually linked to anticipated price growth (inflation). Increased productivity is rarely a condition of wage growth. What is relevant from the point of view of this monitoring is a comparison of wage conditions in enterprises with an enterprise-level collective agreement and in enterprises without one, based mainly on collective agreements concluded by trade unions in ČMKOS.

Table 25: Share of the workforce, paid time and gross monthly wage by collective agreement and sex in 2006

Collective agreement	Share of workforce %			Paid time hours/month			Average wage CZK			Median wage CZK		
	total	men	women	total	men	women	total	men	women	total	men	women
TOTAL	100.00	57.30	42.70	173.8	175.1	172.0	22 908	25 593	19 305	19 512	21 185	17 310
Collective agreement yes	48.43	30.61	17.82	172.9	174.4	170.4	22 904	25 115	19 107	19 694	21 279	16 817
Collective agreement no	28.10	16.94	11.16	175.0	176.3	172.9	23 268	26 155	18 886	18 098	20 007	15 392
Not stated	23.47	9.75	13.71	174.2	175.4	173.4	22 486	26 118	19 903	20 475	22 908	19 235

Source: Czech Statistical Office, Structure of employees' wages in 2006

The average wage of employees in companies with a collective agreement was CZK 364 lower than in companies without a collective agreement in 2006. If we look at the median, though, the situation is the reverse. The median wage is CZK 1,596 higher in enterprises with a collective agreement. These ratios would seem to suggest that the existence of a collective agreement has a positive influence on wage levels, primarily among employees in low and intermediate income categories. It should also be stressed, however, that more profound and conclusive research into the influence of collective agreements on pay has not yet been undertaken in the Czech Republic.

Retrospectively, however, it turned out that **the trade unions' demands were unrealistic in some years**. Wrongly estimated inflation development caused real wages to grow faster than work productivity in some years. That, of course, has a negative

influence on economic development and employment. Unfortunately, predicating wage growth on a company's economic results is not customary in the Czech Republic.

As regards **working time**, extending holiday by one week forms part of approx. 80% of higher-level collective agreements and a reduced working week from 40 to 37.5 hours is found in more than half.

The most common provisions on **social conditions and employee benefits** include ways of using social funds, which are defined in approx. 60% of higher-level collective agreements. The social fund is most frequently used to pay for initial and preventive medical examinations, treatment fees, reconditioning and rehabilitation treatments, canteen catering, contributions to supplemental pension insurance etc.

On the other hand, a number of important areas are not prioritised by the social partners. **Education** has traditionally been **overlooked**, at both enterprise and national level. Training in the firm and other forms of education are not mentioned in practically any collective agreements.

The **work/life balance** is another issue neglected by the social partners. There have been practically no major changes in employers' attitudes to the family in the last ten years. The number of part-time jobs or other flexible forms of work is still minimal. Although collective bargaining does allow employees to negotiate improved consideration for their families, this is still underused at enterprise level. Defining standards for operating pre-school facilities in a company would undoubtedly improve the work/life balance in at least some cases, most notably for women.

While sufficient care is paid to physical health at work, prevention of risks to **mental health** is overlooked. A "Framework Agreement on Work-related Stress" was signed at European level in 2004. Its implementation is voluntary and it has not been used much in the Czech Republic.

4th1st12th Harmonising family and working life

Looking after children and the household has traditionally been the domain of women. What is more, wage differentiation influences the decision whether the father or mother should stay at home with the children. Men take practically no parental leave (just 1% of men). The overriding predominance of women on parental leave and the relatively long duration of parental leave (3 years, with parental allowance paid out until the child's 4th birthday) continue to discriminate against women on the labour market. Before the birth of a child women are at a disadvantage because employers are worried that they will go on maternity leave. Long parental leave causes qualifications to become out-of-date, which worsens women's bargaining position on the labour market. It is absolutely clear that the situation will remain largely the same until the perception of the traditional roles of men and women changes and men start to take parental leave on a bigger scale.

As far as the family/work balance is concerned, the **interests and competences of various actors on the labour market are often conflicting** and often collide. **For employers**, women's role as the principal carers for young children and otherwise dependent family members makes them a high-risk kind of labour. The employers' attitude has a number of objective reasons (e.g. length of parental leave, gender-based division of care for children, lack of helpful municipal services for families), but to a large extent it also reflects their unwarranted prejudice and lack of consideration for the individual qualities and differences of women candidates for work. As an exception, employers are interested in recruiting highly qualified female workers. **For the labour offices**, women with small children are among the highest-risk groups and active labour market policy programmes are targeted at them. The question remains how effective these are, however. **For the trade unions**, equal opportunities for men and women have become a top priority in the last 10 years, but the work/life balance less so. **Government documents** (e.g. National Concept 2005) drawn up since the year 2000

impose tasks on individual entities in the interest of the work/life balance but have failed to find effective ways to ensure employers pay more attention to employees' family interests, are less reluctant to employ mothers of children and do not directly discriminate on the basis of sex and marital status.

The slow acceptance of new forms of work organisation, on the part of both employers and employees, **acts as a brake on the implementation of work/life balance instruments**. If employers do apply such instruments, the motive is usually to be found in their own interests rather than consideration for employees' family duties. Flexible working time, part-time work, work from home and sliding working time are most commonly regarded as the best way to resolve the work/life balance. However, employers are most likely to allow employees with family commitments to shift their working hours or work part-time; work from home is hardly ever allowed.

The situation in the Czech Republic is characterised by the relatively long duration of parental leave and the large proportion of women making use of the option to claim parental allowance once parental leave has ended. In the present day, returning to work after a three-year or longer absence means that their qualifications may be out-of-date in many professions; this may be linked to a lack of contact with the employer, lower self-confidence etc.

The low supply of part-time work enabled by employers and possibly the inability of using flexible working time practically force women to take either full-time work or not work at all. In the context of lifelong learning, not enough attention is paid to the specific requirements of retraining and updating qualifications for parents finishing parental leave.

4th2nd Identification of the workers at the lower end of the labour market

Several risk factors can be identified from the point of view of decent work. Many of these coincide with risk factors on the labour market, as labour market standing (bargaining position) has a considerable influence on the subsequent quality of the actual employment. Besides, it is hard to talk of decent work when a person is long-term unemployed. Risks on the labour market are thus primary in this sense.

The principal factor influencing success on the job market is **education and qualifications**. These influence both the search for work and wage differentiation. People with no qualifications (ancillary and unskilled labourers) and people with qualifications made obsolete by industrial restructuring are in the worst position. This restructuring affects the textile industry, for example, which practically disappeared from the Czech Republic during the transformation period. There is little use today for qualifications applicable in the textile industry. As said above, retraining and continued learning are confronted by two major problems in the Czech Republic. The first is the absence of a functional adult education system and unsatisfactory legislation on further education. The second problem is the insufficient motivation among adults, especially older adults with a low level of education or none.

Like low educational achievement, **health** has a significant influence on labour market standing. In 2006, there were 73,500 people with altered capacity for work registered with the labour offices (15.5% of job-seekers), with 28.8 candidates with altered capacity for work per vacancy. To compare, there were 5.5 candidates per vacancy irrespective of health. (Source: Ministry of Labour and Social Affairs).

Another major risk factor on the labour market is the presence of a small **child in the family**. As looking after children has traditionally been the woman's duty in the Czech Republic, mothers with small children are exposed to a greater risk of unemployment. Their qualifications become out-of-date during the long period of maternity leave. Employers often refuse to take on young mothers in fear of frequent absences to care for sick children. Finally, young mothers most frequently look for work near their home and only for morning shifts. A combination of these factors reduces young mothers' chances on the labour market and their pay level, as they are willing to accept worse-paid work.

Long-term unemployment affects the chance of finding a new job and also the quality of the new job. After a long time out of work, people lose their qualifications and also, more importantly, work habits and self-confidence. Long-term unemployment mainly affects people with low levels of education or unsuitable qualifications, combined with some another risk factor.

Seasonal unemployment and repeated unemployment is typical for certain professions. These are mostly found in agriculture, construction or tourism.

Regions and regional differences are another risk factor. Whereas there were 0.5 candidates per vacancy in Prague in October 2007, in Děčín there were 15. Regions affected by long-term and structural unemployment include the Ústí region and Moravia-Silesia region. In the past heavy industries, the mining industry or the textile industry, i.e. industries that have contracted the most, were concentrated in these regions. As the biggest companies were wound up or restructured, a number of other employers in the region also failed.

Other risk factors on the labour market are **low nominal flexibility** and **reluctance to work**. The relatively generous social system means that a number of unemployed people have no economic motivation to look for work. This is the "unemployment trap". It mainly affects people with low qualification levels and often people whose partner is also unemployed. The low need to work is also socially conditioned, as unemployment has ceased being stigmatised in certain circles.

Age can also be included among risk factors. **Older workers** over the age of 50 are at risk on the labour market, for several reasons. First, the educational achievements of the over-50s are markedly lower than among younger workers in the Czech Republic.

Second, workers over the age of 50 find it much harder to cope with the faster pace of work and modern technologies. Third, advanced age also brings more frequent health problems.

On the other hand, **school-leavers are now not so at risk on the labour market**. They used to be a risk group, but in last ten years their position has improved considerably. There are several factors behind the improvement, but two in particular should be mentioned. First, up to 2004 employers could not employ school-leavers on fixed-term contracts. Since 2004 they have been able to. Second, school-leavers obtained unemployment benefit before 2004. Since 2004 they have had to work and pay social security for at least 6 months to be eligible for unemployment benefit. This encourages them to find work faster.

Other risk factors associated more with decent work than the labour market include **overtime work, work under stress, shift work and work in atypical conditions**. In the Czech Republic, employers are required by law to pay such workers extra. According to Labour Force Survey data, 2/3 of overtime was paid in 2006.

Agency employees are particularly at risk. The trade unions and also statistics draw attention to the fact that agency staff and internal workers do not have comparable working conditions. Agency staff only work on fixed-term contracts or short-term contracts that are repeatedly extended. Although repeatedly hiring workers on fixed-term contracts is prohibited, employment agencies get round this provision. What is outwardly one agency is in fact several affiliated companies. Employees thus sign contracts with several legal entities even though they keep working in the same company. Agency staff are much more likely to work overtime and atypical hours. Seeing that agency employees are not legally employees of the actual company, they cannot be members of enterprise-level trade unions and the results of collective bargaining do not apply to them.

Another shortcoming with regard to decent work in the Czech Republic is **the shortage of flexible work arrangements**, be they part-time work, working time account arrangements or work from home. The insufficiency of flexible options makes it more difficult to harmonise working and family life, because it often forces people to accept full-time work or no work.

5th Conclusions and policy recommendations

Although the situation in the Czech Republic can be considered good rather than bad, there exists a whole series of more or less serious shortcomings. Key problems affecting decent work in the Czech Republic include the absence of a functioning system of adult education, work/life balance problems and the lack of control in practically all areas. Insufficient control leads to, for example, abuse of the social system and non-compliance with certain legislative measures concerning working conditions. And we can find minor shortcomings in other aspects of decent work as well.

The fact that many problems are being addressed is perhaps the principal positive fact. Legislative measures were adopted throughout the period under scrutiny, but the most sweeping changes are taking place right now⁷⁴. The current government has prioritised stabilising public budgets, which includes reforms of the social and health system. It is positive that the changes do not merely comprise spending cuts across the board, but also tighten the rules for collecting benefits and preserve the level of the majority of benefits. Some reforms have already been adopted, some are still being devised. Although one may say that the reforms are heading in the right direction, it is too early to make an objective assessment of their actual impacts. Objectively judging today's reforms will not be possible until the start of 2009 at the earliest.

In the final part we provide a summary and policy recommendations for each aspect of decent work in turn.

5th1st1st Situation on the labour market and job creation

During the period under scrutiny the Czech Republic witnessed a full economic cycle. The years 1995 and 1996 can be characterised as a period of economic growth, which was followed by recession, gradual revival and, approximately from 2004, strong economic growth. Employment has risen and unemployment has fallen sharply since 2004. There is evidence that the current rate of unemployment has already passed the NAIRU point. Increasing wage pressure and the strengthening Czech currency make the Czech economy less competitive. The OECD forecast for the coming few years is for a slowdown in economic growth, mainly due to a shortage of labour.

Current unemployment can be described as structural and long-term, i.e. regional, and job-seekers' qualifications do not coincide with jobs offered. Despite a large number of vacancies, a considerable number of job-seekers remain on the labour offices' books.

Examples of good practice

- In recent years, the award of social benefits has been significantly tightened up and the subsistence minimum has registered a relative decline; this led to a fall in the rate of long-term unemployment.
- Since 2006, work lasting less than 3 months and part-time work have been regarded as a suitable job for the long-term unemployed. This facilitated the long-term unemployed's access to the labour market.
- In 2004, unemployment benefit for school-leavers who have not worked at least 12 months (since 2006 6 months) has been scrapped. This measure compels school-leavers to find work faster. The proportion of the unemployed accounted for by school-leavers has fallen (from 10% of total unemployment in 2003 to 7% in 2006).

⁷⁴ A right-wing government is in power after eight years of government by the Social Democrats.

- In 2003, the rules on part-time employment were tightened, with a ban on repeated successions of part-time jobs (max. 2). That led to a slight fall in the incidence of this kind of employment arrangements.
- In 1998, the restriction on employing disabled people on fixed-term contracts was scrapped. In 2004, the same restriction was lifted for school-leavers and minors as well.
- In 2005, labour market inspectorates were set up. This authority inspects working conditions in establishments, including work safety. In the past, control powers were spread among several authorities and fragmented.
- Since 2004, the unemployed have been able to earn for themselves up to half the minimum wage. This measure led to a decrease in the grey economy.
- Access to foreign labour is gradually being liberalised. Easier access had been demanded by employers who have difficulty finding staff. It is a reasonable assumption that simplifying the legal employment of foreigners at least partially restricted the grey economy. At present there is no conflict between Czech and foreign workers, as the economy has a labour shortage.

Examples of bad practice

- **Wage growth outstripped productivity growth** because of negotiation of social partners. Wages increased faster than work productivity up to 2003 (with the exception of a few isolated years). That led to keep on the high unemployment. The Czech Republic lacks instruments that would tie pay growth to genuine productivity growth.
- **Active labour market policy** was long undervalued in the Czech Republic, with the focus mainly on job creation or subsidised employment, where the labour offices contribute to wages. Programmes designed to improve or change qualifications have not been at the centre of interest; a similar situation is found in the case of programmes targeted at the highest-risk job-seekers.
- Another negative point is **the poor staffing of labour offices** and the absence of a uniform methodology for providing counselling and active labour market policy programmes. The effectiveness of brokering work and of active labour market policy programmes differs considerably from one labour office to another.
- For a long time, the minimum wage was lower than the subsistence minimum. Incomes from social benefits thus exceeded the incomes of low-skilled workers, which led to increased unemployment among these workers (see chapter 4.1.4).
- For a short while in 1995 there was a rule that employers must not dismiss school-leavers during the probationary period. That led to school-leavers being refused work.
- Since 2007, the maximum working week for under-18s has been 30 hours (in the past that applied to under-16s). This measure caused problems both to students doing summer temping and, above all, school-leavers from vocational schools, who were turned down by employers in large numbers for that reason.
- Since 2004 there has been a rapid expansion in agency employment, which is basically uncontrolled. That means that there are agencies that do not comply with the legal provision requiring comparable conditions for internal and agency staff, and agency employment is a front for the grey economy.
- The different way of taxing employees and the self-employed often leads to self-employed people being preferred by employers, as they are far cheaper.
- The high tax (including social and health insurance) on labour results in part of wages being paid in other untaxed and often illegal ways. This phenomenon is not possible to quantify.

- The high protection afforded to indefinite-term jobs and the minimal security of other employment arrangements has led to growth in alternative forms of employment and discrimination against at-risk groups on the labour markets.

Based on the analysis of the labour market, the following recommendations should be considered:

- Place the stress on retraining for occupations that have been in long-term scarcity (artisans and qualified machine operators).
- Bring education into line with the requirements of the labour market – i.e. stop the bias in favour of administrative positions at the expense of technical skills (at all levels of education).
- Step up the monitoring of agency employment and working conditions.
- Reduce the protection afforded to indefinite-term jobs so that even at-risk unemployed persons have a chance of attaining this kind of employment.
- Consider cutting the tax and insurance burden on labour.
- Consider the option of tying wage growth to actual productivity growth.
- Separate the administrative and advisory work of labour offices' staff.

5th1st2nd Access to education

It has been mentioned several times that education and qualifications are the basic precondition of success on the labour market. Compulsory education, i.e. vocational preparation, can be rated satisfactory. The main problem lies in adult education, and especially education for less qualified and older workers.

The main problems in the area of human resources development that need to be solved in the Czech Republic can be specified as:

- Non-existence of a functioning adult education system and state policy on this area;
- Insufficient legislation on further education defining the rules of the working of this areas as a whole, and the rights and duties of the individual protagonists;
- Insufficient participation by adults in further education activities;
- The lack of a support system to ensure greater participation in further education by the various actors (financial stimuli, the option of combining the performance of employment, education and family duties etc.);
- Insufficient public and private investment in further education;
- The lack of a comprehensive information system and personal counselling system;
- Insufficient control mechanisms to ensure the quality of the education on offer.

Some proposed solutions:

- Financial stimuli would help motivate people to participate more in further education. Increased demand for education among individuals could be instigated by, for example, grants, loans, personal education accounts, compensation for temporary reduction in income resulting from taking time off from work to study. Tax relief or subsidies to cover the costs associated with training would help increase enterprises' interest in adult education.
- Teaching methods need to be adapted to the needs of adults.
- An information and advice system giving candidates the necessary information about training opportunities should be created.
- Checking the quality and times of training should be facilitated.
- Improving the range of adult education offer also requires better coordination between and the involvement of all actors in the process of creating and developing

the further vocational training system (the state, education providers, employers, social partners, citizens).

5th1st3rd Wages

The lack of uniformity in the way work and pay conditions are negotiated and the low degree of coverage of higher-level collective agreements have led to the atomisation of the price of labour on the market in the Czech Republic. Existing enterprise-level collective agreements and individual contracts mean that the same work is rewarded differently in different companies in the same sector and from region to region. This "flexibility of the price of labour" does not offer any instruments to protect against social dumping.

There are currently no instruments that would eliminate:

- Discrimination against women;
- The unequal status of younger and older employees;
- The government's inconsistent pay policy and undervaluing of work in the public sphere, which destabilise the labour market;
- Pay differences in the private and public sectors;
- Earnings differences between regions that result from employers' monopoly position on the local labour market;
- Unfair competition from "ostensible self-employment" on the market;
- Foreign workers' willingness to work for extremely low wages.

In a situation where the earnings level is catching up with EU countries and real wages are growing both in "national" and parity terms, the **absence of comprehensive mechanisms and criteria for the social partners' bargaining on pay growth** will evidently make itself felt. For example, general agreements in Denmark, the Netherlands, Belgium, Ireland and Norway determine wage growth with regard to foreign competition; in Finland employers and trade unions respect an algorithm for calculating non-inflationary earnings growth. Belgium has a law on competitiveness that links wage growth to pay growth among principal competitors.

The minimum wage is a significant element in the architecture of social and health security and the tax system. Applying the institute of the minimum wage makes it necessary to clarify, in analytical and conceptual terms, its optimal working in all socio-economic contexts.

5th1st4th Employment status

Job protection is relatively high in the Czech Republic, mainly due to the high protection of contracts without limit of time. 92% of workers work on indefinite-term contracts. The problem is that contracts without limit of time provide a very high standard of job protection, whereas other employment contracts enjoy practically no protection. That means there is a considerable **difference in the legislative protection bestowed on indefinite-term employment contracts and other forms of employment**. That is one of the reasons for the constant growth in the number of self-employed workers and agency staff. The number of agency employees has risen particularly sharply in recent years. These forms of employment enable substantially greater flexibility and are therefore preferred by employers.

Repeatedly employing people on fixed-term contracts has recently been forbidden. A fixed-term contract can now be extended only once (except in the case of working pensioners). In practice, however, this measure is obviated in at least two ways. First, employees may agree with an extension. In some cases the employers agree willingly, in some cases unwillingly. The second way of repeating fixed-term contracts is employing through a personnel agency. These are usually composed of several legal

entities. Employees thus sign contracts with various legal entities even though they keep working in the same job.

The role of the trade unions in this case is debatable. On the one hand, through collective bargaining they prevent the further spread of fixed-term contracts; on the other hand, they thus restrict the supply of vacancies for unskilled workers. What is more, the pressure exerted by the trade unions may indirectly force employers to sign contracts with personnel agencies, as these employees are not covered by collective bargaining.

One solution would be to balance out the standard of job protection for the different types of contract, so that none of them is too advantageous or too disadvantageous. The following steps can be considered:

- Increasing the standard of flexibility in contracts without limit of time;
- Increasing job protection in the case of fixed-term contracts;
- Tightening up the rules for recruiting via agencies and on the basis of a trading licence;
- Enable more effective control of working conditions in all types of employment;
- Making tax adjustments that would balance out the tax burden on employees and the self-employed.

5th1st5th Work organisation, work-related stress, absenteeism

There is still relatively little use of flexible forms of employment and flexible forms of work organisation in the Czech Republic. Full-time work with fixed working hours is the predominant form of employment. Only approx. 5% of employees work part-time; work from home is extremely rare and is only enabled for highly qualified employees in the vast majority of cases. Flexible working time is the most widespread form of flexible organisation of work.

Over the last ten years there has been a clear increase in the number of people describing their work as stressful. As far as overtime is concerned, the number of people working overtime has fallen, but the average number of overtime hours worked has grown. In recent years there has started to be more and more work at atypical hours.

The increasing levels of incapacity for work is a serious problem – the duration of incapacity for work in the Czech Republic is one of longest in Europe. Employees often use incapacity for work as a response to lack of holiday or to avoid being laid off. Employers abuse incapacity for work during times of insufficient orders, often in fields with seasonal work.

In the light of the trends described above, the following measures are worthy of consideration:

- Supporting part-time work and work from home – not just through tax measures, but also by promoting the advantageous of this kind of work for both employees and employers;
- Paying more attention to prevention of mental health risks;
- Making greater use of social dialogue and collective bargaining to prevent mental health risks and controlling conditions;
- Control the payment of contributions for work at atypical hours and overtime work;
- Lay down rules for the operation of pre-school facilities in companies – that would help alleviate stress factors stemming from the difficulty in balancing work and the family, especially for women;
- Tighten up the provision of sickness leave and introduce more effective control of doctors sending employees on sickness leave.

5th1st6th Safety and health

The standard of occupational health and safety in the Czech Republic is good. The number of work injuries and incidence of occupational illnesses fell constantly

throughout the period under scrutiny. The principal reason for this fall was economic restructuring, which consisted mainly in the contraction of the mining industry and heavy industry and growth in light industry and services. The constantly increasing emphasis on preventive care, awareness and control also plays a significant role. The trade unions play a positive role in workplace safety, mainly thanks to their high-quality expert personnel.

Despite the positive trends, it's important to continue with:

- Training programmes;
- Awareness of safety and health;
- Compliance with health and safety in workplaces;
- Emphasis on preventive care and control;
- Attention to new work risks;
- Development of the theme;
- Research into the occupational health and safety issue.

5th1st7th Harmonisation of work and the family

Harmonising work and family life is a pressing problem at the present time as the Czech Republic is at the start of a new baby boom. Given the constantly falling birth rate since the mid 1980s, the family and child care was a not so often problem when the foundations of market economy were being laid. This is therefore a new problem for employers, one that they have not encountered much since 1989.

- There is insufficient **awareness and understanding among employers** that supporting employees' family commitments is reflected in the effectiveness of their work and the company's prestige.
- Despite some progress, the relationship between and **coordination of the activities of various entities** involved in supporting the work/life balance – i.e. the state, employers, trade unions, and also municipalities and NGOs – has not been resolved yet. With regard to the previous sentence, the main source of support is the system of state appropriations. Its weakness is the need for all applicants to submit annual applications for appropriations, regardless of the results they have achieved, which complicates long-term planning of activities. Municipalities are insufficiently active in providing services for the family, but in this they are impeded by the income tax redistribution system.
- Supporting **alternative forms of work organisation** would appear essential, but in doing so the risk of undesirable concomitant phenomena, such as negative flexibility (rescheduling work duties to unsocial hours and also the increasing number of hours worked by people working from home, for example), should be reduced. The impacts of alternative forms of work both on status in employment, working conditions and career advancement and also on social protection (in particular pensions, but the level of contributions to social and health insurance may also be a problem⁷⁵) must be minimised.
- The selection of work/life balance strategies also takes into account the ratio between earnings and the cost of childcare during work hours. There is room here for supportive measures (for example, this ratio should support the deduction of child care costs from tax).
- The gender differences that significantly complicate the work/life balance should be eliminated, partly through **gender mainstreaming**, focusing on employer organisations and other entities.
- At the same time, instruments for **eliminating gender inequality in the family**, in education and in other spheres should be sought, including publicising them in the media; e.g. promoting parental leave for fathers).
- To boost the role of the actual parents, support should be given to **employees' ability to negotiate with employers** on working conditions from the point of view of the

⁷⁵ One example is the duty to pay a minimum health insurance contribution corresponding to the minimum wage, but the wages of less skilled people doing part-time work may be lower.

- work/life balance, as well as equal opportunities and human rights in general. In this sense, support can be given to this agenda in the trade unions' work.
- More widespread **counselling** for people who have interrupted a career to care for a child or a dependent family member would also help the situation.
 - The gradual raising of the retirement age is a response to **population ageing**, which has impacts for the labour market and social protection system. In households, that leads either to a reduction in the potential number of "available" carers for dependent family members (who most often tend to be women of pre-retirement age and in the first years of retirement), and thus also **increased demands on balancing domestic work and employment**, or to an increase in the number of those **leaving the labour market** before retirement age for care reasons. It would therefore be a good idea both to increase the capacity of day care and temporary care facilities for seniors and to improve the conditions for combining care for a less self-sufficient senior with the carer's job.

5th1st8th Social dialogue and participation

The social partners' bargaining strength, and thus their ability to assert their interests, depends mainly on their legitimacy and representativeness. In this context it should be recalled that trade union membership has been declining since the 1990s. Besides the reasons mentioned above, the principal factor was the massive exodus of union members after 1989 as a reaction to the previous era, when there was mass trade union membership and the trade unions' confined themselves mostly to cultural, special-interest and social activities, discussing economic plans, ideological work etc. There have also been other factors influencing the decline in membership – for example, the trade unions are most successful in large enterprises with more than 250 employees and in the secondary sector (industry). In addition, changes in the size structure of enterprises (production is shifting from large enterprises that were traditional trade union strongholds to small and medium-sized firms, where the conditions for the trade unions' work are difficult) and structural changes - the growth of the tertiary sector's share of the national economy at the expense of the secondary sector (industry) etc. – have also caused trade union membership to fall.

There are two major gaps in Czech social dialog:

- There is the larger potential of **higher-level collective agreements** in particular remains underused – they cover approx. 30% of all employees.
- As far as the **national tripartite system** is concerned, one of the problems of the Council of Economic and Social Agreement of the Czech Republic (RHSD) is the broad thematic scope of tripartite consultations at this level and the national tripartite mechanism's excessive dependence on the attitude of the government in power (as regards the effectiveness of the tripartite system).

5th1st9th Social protection coverage

Social security coverage in the Czech Republic is high and, as regards the reduction of poverty, effective. Whereas 38.7% of the Czech population would be below the poverty line without social transfers (60% of the median wage), after all social transfers are factored in the rate of poverty is 8.13%. If we were to define the poverty rate in absolute terms, i.e. by the subsistence minimum in the Czech Republic, the proportion of poor people in the Czech population is 3.6%. The actual existence of social insurance, as an instrument for providing for the social needs of citizens in unexpected social situations associated with loss of income, is positive and contributes to dignified conditions for employees. On the other hand, there are abuses of the social system and the high contributions levied by the state. Moreover, demographers and economists have been pointing out that the current insurance system will be made unsustainable by population ageing.

The Czech social system is composed of six basic instruments that have varying impacts on decent work. Let us look at the individual measures separately.

Pension insurance

Pension insurance is obligatory and pay-as-you-go in the Czech Republic. Unlike other areas of the social system, pension insurance is still awaiting reform. We can find several contentious issues in pension insurance.

The degree of solidarity is viewed differently by different income groups of the population. The pension system is more advantageous for low-income individuals than high-income individuals, as it gives them a pension that is proportionate to the contributions paid in; the system has a demotivating effect for high-income groups. It motivates high-income groups to operate partly in the grey area of work.

Our proposals here are:

- Increase the differentiation of pensions among middle and high income groups;
- Lower the ceiling for insurance premiums. There should be greater application of the equivalence principle for middle and high income groups.

Another point of contention in the pension system is **the high level of solidarity between workers and non-workers**. This high level of solidarity is caused by the principle of alternative periods of insurance, whereby times during which no contributions were paid into the system (during study, unemployment, compulsory military service, when caring for a child, during sickness et al.) count as insured periods.

Our proposals here are:

- Introducing payments of insurance premiums for all insured periods by defining a calculation base and paying in premiums even during alternative periods of insurance, while reducing the pension insurance premium tariff would have a positive impact on the labour market, while ensuring that the impact on the system's incomes is neutral;
- In connection with this measure, the determinative period on whose basis incomes are determined for calculation of the pension should be extended to cover the entire period of participation in the insurance and the institute of excluded periods should be scrapped.

These measures would increase the motivation to participate actively in the labour market.

The pension system should be **as actuarially neutral as possible** and should not engender any motivation to remain on the labour market or go into retirement. This actuarial neutrality should be achieved in the period after the attainment of retirement age in particular. Before retirement age the system could have a mechanism that demotivates workers from retiring, but this should not be so powerful so that there is an increased risk of insufficient retirement.

Sickness insurance

The impact of sickness insurance on decent work is obvious. Above all, it is necessary to **prevent abuse of sickness leave and effect system reform**, which should be in the same spirit as the reform that has already been drawn up but was then deferred. Employers should be more involved in employees' financial security; this could be achieved if employers were to provide compensatory wages to employees for the first two weeks of incapacity for work. This way of increasing social control over abuse of the system is already being used very successfully in 20 EU states. The sickness rate should be reduced (especially **eliminating fictitious sickness**) so that it corresponds to the actual health of the population. That is because the sickness rate does not merely affect the expenditure side of sickness insurance, when sickness pay is provided during sickness, it also affects the system's incomes, as insurance premiums are not paid during sickness.

Unemployment benefit

Unemployment benefit in the Czech Republic is relatively liberal in nature, i.e. it is paid out for a relatively short period of time and entitlement is predicated on prior work. Unemployment benefit is relatively well set up, as it enables people to change their

job without fearing loss of income and, on the other hand, it motivates the unemployed to find work faster.

Health insurance

Healthcare in the Czech Republic is paid out of health insurance, which all workers, or people aged 26 and over, are obliged to pay. The state pays insurance for unprovided-for children, the unemployed and pensioners.

The Czech health system is widely abused. That led to the adoption of reform that will take effect from January 2008. Fees for visits to the doctor (fixed at one euro), for prescriptions (approx. one euro per item) and for stays in hospital (approx. two euros a day) are supposed to reduce the level of wastage of healthcare.

System of state social support and assistance in material need

The system of state social support and assistance in material need is not confined to participation in insurance. Anyone who satisfies certain requirements is eligible. The state social support system is targeted, first, at households with children and, second, at households with low or no incomes. Many of the benefits are derived from the subsistence minimum. The significance of means-tested state social support benefits has declined in past years. This shift will be strengthened by the reform of public budgets starting on 1 January 2008. On the one hand, this trend can be viewed positively, as it weakens the poverty trap. On the other hand, however, the declining social protection of these households cannot be overlooked.

One new instrument is the introduction of the "existence minimum", which is disbursed to people who do not actively participate in the labour market, i.e. keep refusing work while also refusing to take part in active labour market policies. It is still too early to assess the impact of the adopted changes.

Social assistance system

The social assistance system mainly involves social services and social care. This system's impact on various aspects of decent work is limited.

5th1st10th Child and forced labour

Child labour is not a problem in the Czech Republic. The effectiveness of policies on child labour is determined by the interplay of a series of different factors. The key factor has been historical development and the emotional value of child.

The existing instruments in the fight against **forced labour** are insufficient. With regard to this phenomenon the Czech Republic is still in the early stages, as regards the existing legislation, research into the issue and the still evolving practical procedures. One positive fact is that an interdisciplinary working group has been set up to support and protect victims of human trafficking. The group is made up of representatives from the interior ministry, the police and non-governmental organisations.

Besides the existing activities, the following steps should also be taken to improve the situation in forced labour.

- Appraise the proposals and subsequently implement measures targeting human trafficking decided on by the interdisciplinary working group for the support and protection of victims of human trafficking (see 3.10.2), i.e.
 - o Analyse possible impacts and the optimum form of measures;
 - o Analyse the existing preconditions for implementing the proposed measures;
 - o Implement the proposed measures in the form that is identified as optimal.
- Intensify control work in the area of the labour market and rigorously apply penalties for illegal employment, primarily in high-risk sectors.

- Simplify labour law to reduce the pressure leading some employers to conduct illegal employment as one of the preconditions of forced labour, while
- Ensuring that the conditions for social dialogue between employers and employees are kept in place, including in high-risk sectors, or that employees (especially those employed in high-risk sectors) do not find themselves at a disadvantage.

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