



Czech Republic

Assessment of the situation in relation to minimum income schemes

A Study of National Policies

Tomáš Sirovátka
Masaryk University

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Executive Summary

At the beginning of the nineties, key political actors in the Czech Republic paid great attention to creating minimum income schemes in order to make economic and social reforms socially acceptable. The social assistance scheme implemented in 1991 was based on careful analysis and assessment of adequacy, and negotiated with social partners. In consequence, the level of the minimum living standard was relatively generous (although this was to a great extent temporary due to a sharp decrease in real wages during 1991-1992 following accelerating inflation rate). The means-tested social assistance scheme was supplemented with other supplementary (ad hoc) benefits compensating losses in living standard. This became a base for a new system of family-related income-tested benefits (child benefit, supplementary social benefit, housing benefit and other) implemented in 1995 and aiming at preventing poverty mainly among households with children. These schemes played a more important role in alleviating poverty than unemployment benefits which covered only part of the unemployed, were provided at a low effective replacement rate (60-40%, low ceiling) and had short duration (6 months). However, while unemployment benefits were being continuously improved for those with a sufficient employment record since late nineties, generosity of replacement rates of social assistance benefits as well as other income-tested benefits was continuously decreasing, given that the benefits' revaluation was lagging behind increases in earnings. There is not much coordination in the area of minimum income schemes for active age population: unemployment benefits and state social support benefits are provided by local offices subordinate to the Ministry of Labour and Social Affairs, while social assistance is within the competence of municipalities, with little cooperation between these institutions in terms of information exchange and handling individual cases.

During 2004-2008 new 'activation' tools have been incorporated into both social assistance scheme and unemployment protection scheme. These tools are relatively complex, consisting in increased conditionality, cuts in generosity and positive incentives like disregards. The social assistance system does not exclude any group of population from entitlements, however the number of recipients is not much high (about 3% of population). The numbers of recipients dropped in 2007 since adult children sharing accommodation with parents have since then been regarded as household. Besides, data indicates that non-take up of social assistance exists due to low competence of the potential recipients and lacking information. In spite of the decreasing generosity of replacement rates, witnessed since the nineties, adequacy of social assistance (data from 2006) seems to be comparable to the average standards in the OECD and EU countries (by ratio to both wages and the EU poverty thresholds). Consequently, effectiveness of the social assistance scheme (especially when combined with other income schemes) in eliminating poverty risks seems to be excellent in the case of working population – and on the other hand less satisfactory in the case of specific groups: poverty risks are highly concentrated among the unemployed, incomplete families and families with many children. Changes to the social assistance scheme adopted during 2006-2008 (which are not as yet mirrored in data on adequacy and effectiveness), under conditions of rapidly increasing housing costs, are likely to reduce the adequacy as well as effectiveness of the MI scheme. These changes include implementation of subsistence (existence) minimum, cancellation of the guarantee to reevaluate the living and the subsistence minimum and restriction of entitlements after 6 months (subsistence minimum). On the top of that, services provided to recipients of social assistance, such as vocational training, individual social work and access to housing, are rather deficient and not well coordinated with the MI schemes (except new measures aimed to improve incentives for job search). Inadequate human and financial resources represent a key barrier. Careful assessment of adequacy of the minimum income scheme, stronger support to human capital and to vulnerable groups' access to the labour market, better developed services such as social work and access to housing (stronger support of housing costs and social housing) may be recommended.

1. Section 1: Institutional design of the minimum income schemes

1.1 The legacy of the communist regime

The minimum income scheme was not well developed under the communist regime. Although enormous efforts were made to protect the population from material poverty, in line with the ideological goal of improving the standard of living and guaranteeing universal social security by means of economic and social policy, since the eighties, the standard of living in the Czech Republic was gradually falling behind that in economically developed countries in Western Europe and also the quality of social security provisions gradually deteriorated. At that time the goal of the regime policy emerged to prevent a large part of the population from becoming trapped in absolute poverty. Since poverty and wealth were indeed politically unacceptable concepts for the egalitarian ideology of the communist elites, poverty or income deficiency could not be defined, measured, or even dealt with by the state system of benefits and services. The regime in the Czech Republic strove to prevent material suffering of the working population through a wide range of strategies based on full (and enforced) employment so that all households were guaranteed some form of employment income. Substantial state subsidies were poured into heavy industry and agriculture which employed the largest proportion of the unqualified work force. Income levelling was marked in comparison with all other Eastern bloc countries with the exception of Bulgaria (Jackman and Rutkowski 1994: 129). The state also provided subsidies for many basic food products, housing costs and some consumer durables, and a large proportion of the population enjoyed subsidized state or company housing, and free public services such as childcare, public health services, education with a system of grants, discounts on public transport, etc., aimed to reduce the cost of living.¹ Even though the system of social security did not develop strategies to support those on low incomes, high child benefits, equivalent to about 20 % of average income for families with two children (Sipos 1994: 230),² were universal, and rose with the order of children in the eighties. This prevented young families with children from sinking into poverty, which would otherwise have been unavoidable with economically inactive women looking after small children (child benefits were therefore considered highly important and were to some extent the equivalent of social assistance benefits). However, the measures taken by the state to eliminate poverty had a great many shortcomings. They did not meet the needs of large households where the woman did not work (demographic poverty), or those living on social insurance benefits but without a sufficiently long work history. Moreover, entitlements to pension, disability and sickness benefits were highly dependent on the length of economic activity, and child benefits were only payable to those in receipt of employment generated income or pension. Finally, because welfare benefits were not price-indexed 'old pensioners' tended to receive very low incomes. Thanks to research activities and proposals of The Standard of Living Research Institute (*Výzkumný ústav životní úrovně*) a minimum old age pension for single people and couples was established in 1970. This definition was subsequently used in 1985 to calculate discretionary benefits to supplement low income to poor households under Government Decree No 149/1985 Coll. of the Ministry of Labour and Social Affairs (MLSA). Local authorities were entrusted to execute this agenda.

Although a substantial part of the Czech population found themselves close to the poverty line at the end of the eighties, the overall effect of the benefits provided within state 'care' meant that the

¹ Kramer (1997: 73) points out that in 1989 state subsidies accounted for 16.6 % of GDP, whereas social security expenditure represented 17.5 % of GDP.

² By comparison, this amounted to 9 % in Sweden, 7 % in Germany, 8 % in Britain, and 5 % in Italy.

number of poor people remained relatively low, at around 3 % of the population, measured both in terms of the European poverty line and the legislative concept of poverty (the latter was given by the Amendment of the Ministry Act No 149/1988 Coll.). Two specific demographic groups were particularly at risk: single-person households of 'old pensioners', and households with a high number of (small) children and economically inactive mother.

1.2 The reform of social policy and the new Social Safety Net

Social assistance and income support play a significant role in all models of social policy especially in the context of the 'new social risks' - insofar as elimination of poverty is generally considered a 'minimum goal' of the welfare state (e.g. Ringen 1987; Barr 1993). In the post-communist countries measures to eliminate poverty were generally expected to be twice as important after 1989 due to the anticipated rise of welfare risks and inequalities generated by economic transformation. The new political elites manifested a great degree of opportunism and consideration for the potential social conflict – protest avoidance (Vanhuysse 2006). In the Czech Republic, all political and social actors regarded the creation of a 'social safety net' as the first pragmatic step towards a framework of necessary emergency measures. Even influential neo-liberal economists leading the reforms considered this type of measure compatible with the long-term policy of a 'smaller' (residual) welfare state, and appreciated its politically legitimizing role. In accordance with its governmental declaration, the first government after the events of November 1989 issued a document entitled 'The Scenario of Economic and Social Reform'. This represented a blueprint for a comprehensive reform. For the first two years the government defined mainly short-term social policy goals, in particular the creation of the social safety net, including key elements of an institutional system concerning the unemployed, and mechanisms to soften the impact of transformation on the most threatened categories of the population, i.e. children, disabled people, and the elderly. These emergency social policy measures, although short-term, were designed to be compatible with long-term re-organisation of the system of social policy.

In February 1991, the government approved a document by the Ministry of Labour and Social Affairs - 'Social Safety Net' which formulated a pro-active employment policy and measures to adjust earnings and social income to the costs of living. In April 1991, the government presented the 'Report on Social Policy' to the Federal Assembly. It recommended a combination of three instruments in order to guarantee sufficient income support during the transitional period: subsidizing incomes of all families with children with a special benefit; more effective income subsidies for families qualifying as 'socially weak' (as opposed to poor); and a guarantee of a living minimum – the minimum level of individuals'/families' income that is considered necessary for assuring their sustenance and other basic material needs (compare Dlouhý 1997). Emergency measures were taken introducing new tools to prevent poverty and to counter the drop in the standard of living caused by the increased living costs. A minimum wage was introduced, set at about 55 % of the average wage, but was seldom adjusted and later dropped below the level of the living minimum.

In November 1991, the introduction of the Living Minimum Act ³ and a closely related Act on Social Need⁴ granted social assistance benefits to claimants with insufficient income, supplementing their income to the living minimum level. These two acts introduced a social

³ Zákon o životním minimu (Act No 463/1991 Coll.).

⁴ Zákon ČNR o sociální potřebnosti (Act No 482/1991 Coll.).

assistance scheme which responded quite well to the impacts of transformation and was comparable with schemes known from European countries.

During the debate on the bill, the government appointed an expert group whose task was to assess and pre-negotiate this key concept with social partners. The draft legislation had been negotiated three times at tripartite meetings before it was presented to the parliament because Czech trade unions required better proofs of adequacy. Finally, agreement was reached. The living minimum level was calculated in accordance with formerly valid levels of social needs and in consideration of economic constraints and acceptability by the public. In view of the anticipated growth in inflation and the cost of living in 1991, it was agreed that its real value would not drop by more than 10 % during 1991-1992 (by comparison, real incomes fell by 30 % on average). At the same time, benefit's indexation was determined (Dlouhý 1997). The scheme, which indeed remained in effect until 2007 (with small adjustments), is characterized in more detail in **Scheme 1 in Appendix**.

While the system of social assistance was established in 1991 as a new institution, responsibility for certain 'emergency' social benefits had been in the competence of municipalities even before 1991. Similarly as in many other countries the system is supervised by the Ministry of Labour and Social Affairs but it is Social Departments of municipalities that distribute social assistance benefits (as well as social services and other emergency measures). Some municipalities are responsible for delivering social assistance benefits to claimants from municipalities of a lesser size in their surroundings.

The coverage/personal scope of application included citizens residing in the country, with a possibility given by the institute of 'extraordinary cases' to provide emergency assistance in cases where health or education is being jeopardized, despite that the condition of residence is not being met. Assistance is means-tested: income has to be lower than the level of the living minimum, while it is not possible to increase income by any independent effort such as working or selling property. The requirement of working (or seeking actively a job) does not apply to pensioners and people older than 65 years, to parents caring for a child younger than 4 years or for a child who cannot enrol in a child-caring facility, and to parents caring for 3 or more children.

Since 1991, the social assistance scheme has been based on a general social assistance benefit calculated as a difference between the household's income and its living minimum. Until 2007, the living minimum was composed of two components: the first one was contribution towards personal needs of individual household members, differentiated according to their age. In addition, a so called 'child maintenance allowance' was provided under similar conditions in cases when alimony duties were not being fulfilled by the responsible parent. The second component was contribution towards the household's needs (which included mainly the costs of housing), differentiated according to the size of the household (see **Table 1**).

Table 1: Living minimum 1991- 2006

Amount necessary for subsistence and other basic personal needs

	11.1991	3.1993	2.1994	1.1995	1.1996	10.1996	7.1997	4.1998	4.2000	10.2001	1.2005	1.2006
Child < 6	900	1020	1120	1230	1320	1410	1480	1560	1600	1690	1720	1750
Child 6-10	1000	1130	1240	1360	1460	1560	1640	1730	1780	1890	1920	1950
10 - 15	1200	1360	1500	1620	1730	1850	1940	2050	2110	2230	2270	2310
15 - 26 (dependent)	1300	1470	1620	1780	1900	2030	2130	2250	2310	2450	2490	2530
Other – adult	1200	1360	1500	1680	1800	1920	2020	2130	2190	2320	2360	2400

Amount necessary for household's expenditures

Household	11.1991	3.1993	2.1994	1.1995	1.1996	10.1996	7.1997	4.1998	4.2000	10.2001	1.2005	1.2006
1 person	500	600	660	760	860	970	1020	1300	1580	1780	1940	2020
2 persons	650	780	860	1000	1130	1270	1330	1700	2060	2320	2530	2630
3 or 4 persons	800	960	1060	1240	1400	1570	1650	2110	2560	2800	3140	3260
5 or more persons	950	1140	1260	1400	1580	1770	1860	2370	2870	3230	3520	3660

Source: MPSV/MLSA

The level of both component parts of the living minimum was given by national legislation which, however, left enough room for discretion of local Social Departments to increase the level especially in the case of the household-related component, in consideration of real costs of housing. Limits were nevertheless applied in practice: doubling the set amount was considered a maximum, with some municipalities only allowing an increase by no more than half (as indicated by interviews conducted by the author with street-level staff of Social Departments).

Finally, special ad hoc discretionary benefits were used to cover specific situations. Typically the costs of children's needs were of prime concern, and thus lump sums were paid to families for them to be able to buy children clothes or to enable children to participate in leisure activities organised by schools. Quite often, contributions were also provided enabling households to purchase necessary durable consumer goods (such as refrigerator). Besides, further special categorical benefits were included within the social assistance scheme for special cases (with respect to disability and age). Among other, contribution was provided to those who were caring for a dependent person over 80 years of age. Lastly, special benefits were provided to people with heavy disabilities or the elderly (over 70 years old) – see **Scheme 1 in Appendix**.

1.3 Redesigning the social safety net 2006-2008

Although several aspects deserving improvement were identified during implementation of the Act on Social Need and Living Minimum adopted in 1991, the scheme – in combination with other income-tested and categorical benefits targeted at working-age population – was quite effective in preventing poverty (see section 2). Reforms of income support benefits implemented during the nineties therefore tended to focus on family-related benefits that were (given overall context) considered crucially important since they targeted mainly working families that represent the majority of the population, and secondly, they could help prevent poverty among children.

In the late nineties, discussion nevertheless emerged among policy makers about the necessity to redesign the scheme. It was recognized that the scheme of social assistance should better respond to the rising housing costs and that contribution towards housing should reflect real housing costs. Secondly, the need was also recognized to distinguish between material and social causes of poverty and social exclusion and to provide more individual social work (case-work) in seeking to reintegrate people into the labour market and society. Another key issue was introduction of stronger economic incentives to work by means of distinguishing between the material situation of those who are active in job-search or working at low wage jobs on the one hand, and those who have become welfare dependent and care no longer to take the initiative on the other hand (compare Víšek 1998). Following continued discussion among policy makers the Research Institute of Labour and Social Affairs was asked to examine the adequacy of the living minimum (including the economies of scale and possibilities to suggest forms how to effectively contribute towards housing costs): the recommendation how to adjust the living minimum and how to contribute towards housing costs was elaborated in 2003 (Baštýř, Chomátová, Kotýnková 2003). Accession to the EU was another 'catalyst' factor for implementing a new act – which then emerged in 2006. It was influenced on the one side by experience with previous measures (and the above mentioned report by experts from the RILSA) and on the other side by the necessity to adjust legislation to the EU standards, as well as by policy learning from other EU countries. The result was an attempt to reflect broader context of social exclusion, and to provide adequate minimum-standard guarantees while increasing incentives in order to 'activate' welfare recipients. Finally, a highly relevant concern was to include EU citizens into the scheme (compare report by the Ministry of Labour and Social Affairs on the proposal of the new Act - see Vlášek 2005).

The new Acts adopted by the Parliament in 2006 laid down several substantial changes. The coverage/personal scope of application has been extended in several respects. Firstly, the system now covers permanent residents in the Czech Republic, EU/EEA citizens under directly applicable EC legislation, EU/EEA citizens with registered residence in the Czech Republic for at least 3 months and their family members, beneficiaries of refugee or subsidiary protection status, persons protected under international treaty (European Social Charter), and persons with a long-term residence status in the EC and their family members. Extraordinary immediate assistance can also be provided to persons residing legally in the Czech Republic, and exceptionally - in the case of serious threat to their health - even to persons residing illegally. Special rules apply to assessing entitlements of those who do not meet the condition of permanent residence and it is possible to provide them with the benefits. Besides, the Act defines as persons in material need not only those who do not possess material resources but also those who cannot master their situation due to unsatisfactory social circumstances and lack of financial resources, and are endangered by social exclusion, especially if he/she has been: released from prison, released from psychiatric/health care facility after intensive treatment of addictions or psychic impairment, dismissed from an institutional schooling facility at 19 years of age (maturity), if he/she is homeless, and if his/her rights are being jeopardized by criminal activity of another person.

The key change is that the national living minimum now includes only the costs of basic personal needs of members of the household. At the same time, the living minimum level has been increased and reflects now the economies of scale. This means that the living minimum level guaranteeing basic personal needs of a single person has been increased by 30 %, the amount calculated for the first adult person in a household has been increased by 20 %, in the case of the second and other adults it has been increased by 8 %, while amounts calculated for children have been decreased by 9-12 % depending on their age. Based on the concept of the living minimum, the allowance/contribution for living expenses is provided to households in need. Its level is computed as a difference between the living minimum of the household and the household'

income minus reasonable costs of housing, where reasonable housing costs are such costs not exceeding 30 % (35 % in Prague) of the household income. At the same time, supplement for housing (depending on real costs of housing) is provided (see below).

Besides, changes have been implemented aiming to increase conditionality while restricting access to benefits in some cases – mainly in the case of young people and long-term unemployed. The most important of these changes is re-shifting responsibility towards the family: adult children and parents sharing accommodation are considered to be a household for the purpose of testing their means of subsistence and assessing entitlements to allowance for living - which in practice excluded many young people from benefit entitlements (see section 2). In the case of supplement for housing all persons living in a given flat are taken into account. Secondly, the ‘subsistence/existence minimum’ (the costs of basic personal needs of individuals/members of a household at a level enabling survival) has been implemented, amounting to about 2/3 of the living minimum for a single person. This concept is applied in cases where willingness to work or cooperation on improving one’s income is assessed as deficient, and in the case of people sanctioned for failure to comply with their obligations as their child’s legal representative in connection with the child’s truancy (during the period of compulsory school attendance). For the modified level of the living and existence minimum see **Table 2**.

Table 2: Living and subsistence/existence minimum in 2007 and 2008

		2007	2008
Living minimum	Single	3126	3126
	First adult person	2880	2880
	Second and other adult person	2600	2600
	Dependent child < 6	1600	1600
	Dependent child 6 - 15	1960	1960
	Dependent child 15 - 26	2250	2250
Existence minimum	Per person	2020	2020

Source: Ministry of Labour and Social Affairs

At the same time, positive work-incentives have been implemented as well: only 70 % of income from work and 80 % of income from sickness and unemployment benefits are taken into account when testing means of subsistence – this increases social assistance benefits available to those who work. However, we need to note that this incentive is not very effective since the level of the living minimum for a single person has since the change in 2006 (when contribution towards housing costs was excluded from the living minimum level) amounted only to about 10 % of the average wage. Thus even people living on minimum wage (which is close to 40 % of the average wage), including part-time work, earn more than the living minimum level and cannot take advantage of the measure. Lastly, those who actively seek employment and prove increased costs of job-search or are considered deserving special respect are granted special bonuses when the living minimum is calculated.

After elections in 2006 the new Parliament approved another important change within the package of ‘social reform’ measures passed in August 2007 – automatic revaluation of the subsistence and existence minimum has been cancelled and is now at the discretion of the Government. At the same time, a possibility of in kind benefits or benefits paid to a ‘substitute’ recipient in cases of misconduct has been introduced. Bonuses towards the living minimum level granted to those who actively seek employment and prove increased costs of job-search have been cancelled.

As has already been mentioned the key change is the shift from a two-component to a one-component living minimum: it now consists only of allowance for living expenses covering basic personal needs. Protection of the living standard in the sphere of housing is being addressed both within the system of 'state social support' by redesigning the housing benefit (příspěvek na bydlení), and within the system of social assistance (Act on Material Need from 2006) by introducing supplement for housing (doplatek na bydlení). This means that the housing benefit is first considered within the system of state social support: firstly, it is examined whether the costs of housing are higher than 30 % (35 % in Prague) of the household's incomes. If this is the case then the difference between 30/35 % of income and the so called 'normative housing costs' (costs considered legitimate based on computations of real living costs) is paid in the form of the housing benefit. The 'normative housing costs' are stipulated in the Act No 117/1995 Coll. on State Social Support, as amended. For the sake of calculating the housing allowance, the level of the normative costs is adjusted by a government decree every year. These costs reflect the level of rent, bills and services related to housing that are common in the given location. Only after the benefit has been granted within the system of state social support entitlements are assessed within the system of social assistance/material need. It is examined whether, having received the housing benefit, the household disposes of sufficient income to meet both real housing costs (however, if 'justified') and the living minimum covering personal needs of all individual household members. The reason for covering the costs of housing partially within the system of social assistance were locally increasingly differentiated costs of housing, depending on region and on size of municipality of residence. At the same time it was assumed that municipalities would take interest in handling the housing situation of local inhabitants (Vládní 2005 - Report on the Proposal of the Act on Material Need and Act on the Living Minimum and Subsistence Minimum). Besides, the limit on contribution towards covering real housing costs can be even increased in cases considered as deserving 'special respect' – which typically applies to households that use other than standard rented housing (such as temporary dormitories).

In September 2008 another important measure has been adopted, effective since January 2009: after 6 months of unemployment, unemployed people are only entitled to the 'subsistence minimum' instead of the 'living minimum', unless they participate in public works for 20-30 hours per month, in which case they retain their entitlement to the living minimum. If they work for more than 30 hours they receive a bonus to the living minimum amounting to half the difference between the living and the existence minimum. For overview of changes in social assistance adopted during 2006-2008 see **Scheme 2 in Appendix**.

1.4 Link of social assistance to other social benefits

In 1991 and subsequent years, social assistance benefits were only marginally coupled with other supplementary benefits. However, since the early nineties a system of family-related benefits was gradually being reconstructed – it included targeted, income-tested and some categorical benefits aiming to redistribute resources towards families with low incomes. In 1990, an emergency measure – 'state compensatory benefit/státní vyrovnávací příspěvek – compensating for a drop in real incomes of families was implemented. In May 1991, the Ministry produced a document proposing principles of a new bill entitled 'The Transformation of the State System of Support of Families with Children'. The document highlighted the drop in real earnings and incomes, a high degree of dependency on social incomes, and the impact of low work income on work ethic as reasons for stepping up efficient targeting of benefits. As a starting point, it pointed out the need for income and earnings differentiation so as to increase support for households at risk, to maintain support for families with average incomes, and to cut back support for families with above average incomes. The bill proposed short-term measures, including universal provision of

income compensation benefits, which are considered a more or less unsystematic response to rising cost of living,⁵ and should in the future be replaced by a more long-term income-based policy. Such a policy should also anticipate a decline in the level of support for families with social incomes due to expected increase in real incomes. The key change was the Act No 117/1995 Coll. which redesigned the child benefit as an income-tested benefit and implemented further income-tested benefits, such as supplementary benefit (social allowance/sociální příplatek), housing benefit, and commuting benefit, and soon after also other ones, such as heating or rent benefit. Although some of these benefits were later abandoned since they became of marginal significance, the real value of most family-related benefits fell in relation to wages, and the number of entitled families dropped, this set of benefits still plays a significant role in protecting families from falling below the threshold of the living minimum (see section 2). Indeed, some of them – such as parental benefit – have become even more significant in view of their recent increase. We refer to the changes in family-related benefits in **Scheme 3 in Appendix**.

Another important income support arrangement for the category of the unemployed – who represented between 3-10 % of the labour force during 1991-2008 – was the unemployment benefit to which between 25-50 % of the unemployed were entitled over that period of time. As in other post-communist countries, pre-conditions for receipt of unemployment benefit were, after the initial experience in 1990-1991, tightened after 1992. The reason was not only the danger of the high costs of the system, but also fear that generous entitlement would have a negative impact on work incentives. In particular, bringing unemployment benefits closer to the level of social assistance, by setting a low ceiling on the benefit (i.e. 1.5 times the minimum wage, with no defined minimum level), represented a turnoff in principles compared with the period of implementation when standards common in most European countries had been considered a model to be followed. Preference for short-duration, low replacement rate unemployment benefits had prevailed until 2004 when the period of benefit provision was prolonged in the case of older unemployed people and replacement rate was slightly raised (see **Scheme 4 in Appendix**).

The Employment Act from 2004 brought increased conditionality and administrative pressures, a restricted access to and cuts in benefits and, finally, making-work-pay measures aimed to improve work incentives. Job-search incentives were strengthened, mainly through implementing a stricter definition of a 'suitable job' that describes as suitable also temporary jobs - such jobs that last for longer than 3 months and amount to 80 % of full time. In the case of long-term unemployed persons the job may last for even a shorter period of time, provided it corresponds to no less than 50 % of full time. It is not necessary to take into account qualification, abilities, accommodation and accessibility by transport (only health status must be considered). Refusal to participate in a temporary job (including subsidized jobs such as public work), refusal to undergo medical examination organised by the Employment Office or non-compliance with the Individual Action Plan commitments may result in sanctioning the unemployed (loss of entitlement to benefits for the period of six months). Finally, the Act also permitted the unemployed to retain their entitlement to unemployment benefits while having a temporary part-time job, as long as their earnings did not exceed half the minimum wage. Further, under the Act, school graduates are no longer entitled to unemployment benefits unless they fulfil the employment record condition (i.e. 12 months within the last three years).

In September 2008, the Parliament approved a proposal establishing that the unemployment benefit should be provided only for five months to people below 50 years, eight months to people between 50-55 and eleven months to people above 55 years (in all the respective cases this

⁵ For example, in August 1993 households with incomes up to 1.25 times minimum subsistence per person would be paid an emergency allowance equivalent to the minimum household subsistence.

means a cut by one month), while the benefit level should be increased to 65 % (instead of 50 %) during the first two months, 50 % during the next two months, and 45 % during the rest of the set period. Secondly, after 5 months of unemployment the Employment Office is obliged to elaborate an Individual Action Plan with the unemployed person. Failure to fulfil the obligations of this individual contract, refusal to participate or refusal of vocational training (without having 'serious reasons') implies removal from the register and loss of entitlements to social assistance benefits.

1.5 Some aspects of governance

At the beginning of the nineties implementation of the system of social assistance was – similarly as in most other countries – administered by municipalities, or more precisely, by their Social Departments (nearly 400 municipalities in the country were entrusted with administration of the system in favour of their inhabitants as well as inhabitants of other smaller locations in their surroundings). However, methodical guidance over the system of social assistance remained in the hands of the Ministry of Labour and Social Affairs. This institutional setting has not changed much since 1991 – reorganisation of public administration in 2002/2003 (a shift from a two-level towards a three-level public administration system) has not brought any substantial change although the number of municipalities entrusted with administration of the system has diminished.

In 1996, administration of the system of state social support was also passed to municipalities (which was necessary due to the redesigning of the system as a system relying mostly on income-tested benefits that require specific administrative procedures related to determining entitlements).⁶ This system, however, was not integrated with the system of social assistance. Instead, new departments of state social support were established within municipalities. On the other hand, the system of state social support benefits was (similarly to the system of social assistance) methodologically guided and supervised by the Ministry of Labour and Social Affairs. Later, under the reform of public administration, these departments merged with Public Employment Services - with local Employment Offices.⁷ Public Employment Services represent a specific body within the Ministry of Labour and Social Affairs. Since 1991, this body has been responsible for job mediation, active labour market policy and unemployment benefit administration.

The institutional framework for provision of benefits aimed to support low incomes of active-age population remains only partially integrated. Although the departments that administer state social support benefits have merged with Employment Offices, they still represent a separate department within this body. They use distinct forms and administrative procedures to register claimants and examine entitlements, different from those necessary for registering the unemployed and applying for unemployment benefits. Finally, Social Departments of municipalities that administer social assistance benefits are totally different administrative bodies. However, it is required from social assistance claimants to first apply for all available benefits under the state social support or for unemployment benefits before turning to social assistance administration of municipalities - and this is strictly monitored.

Over recent years, municipal Social Departments and local Employment Offices have spontaneously established some forms of cooperation in the form of information exchange about

⁶ Child benefits and other compensatory benefits were previously paid by employers or, in the case of non-active recipients, by municipalities.

⁷ There exist 77 employment offices in the country, some of which have established local branches in further locations.

the unemployed/welfare claimants in spite of the fact that this principle is not explicitly included in legislation. The Ministry of Labour and Social Affairs strives to facilitate this cooperation by providing positive stimuli and guidance. For example, in Commentary No 3/2002 of MLSA (ref 21/39/2002) it explains that existing legislation enables cooperation and that Social Departments should provide Employment Offices with information on suitable jobs for the unemployed, perform social work with the unemployed, ask Employment Offices for assistance and cooperate with them on organising programmes of public works. However, since Social Departments and Employment Offices subordinate to different superior departments, cooperation in these respects has been rather scarce except public works programmes organised by municipalities.

Since January 2007 this cooperation has been better supported by legislation: amendment of the Employment Act has obliged Employment Offices to inform Social Assistance Administration of municipalities about unemployed claimants and their job-search activities. On the other hand, a new Act from September 2008 has obliged municipalities to provide Employment Offices with such information that is necessary to assess entitlements to unemployment benefits. However, it remains a crucial problem that municipalities do not have any financial incentive to undertake initiative in supporting active inclusion and reducing long-term benefit dependency.

2. Section 2: Assessment of the MI schemes

2.1 Coverage (and recipients)

Eligibility conditions does not exclude a priori any categories of the population and covers nearly all residents (see Scheme 1 and 2 in Appendix). The numbers of social assistance recipients were on the increase from 1991 when the system was implemented until the 2000s. Although reliable data about their number and structure in the long term perspective does not exist, the fore-mentioned increase is evident from data on social assistance benefits expenditure. The spending increased during 1997-2000 when unemployment rate went up from about 5 % to nearly 10 % and remained at this level until 2005 when it started to decline. However, expenditure on benefits provided to individuals increased more than proportionally to unemployment growth between 1994 and 2005 – nearly ten times as much!

Table 3 Social assistance benefits provided on grounds of financial need – expenditure in mil. CZK

Indicator	1992	1993	1994	1995	1996	1997	1998	1999
Families with children								
Periodic cash benefits	596	922	1,233	1,590	1,189	1,389	2,083	2,758
Periodic child maintenance allowance	81	67	49	51	37	40	54	71
Lump sum benefits	71	110	121	147	153	175	180	201
Individuals								
Periodic cash benefits	..	..	515	586	644	930	1,840	3,462
Lump sum benefits	..	..	31	30	37	53	104	140
	2000	2001	2002	2003	2004	2005	2006	
Families with children								
Periodic cash benefits	3,427	3,665	3,870	3,651	3,718	3,320	3,190	
Periodic child maintenance allowance	88	95	101	110	106	101	93	
Lump sum benefits	222	216	231	240	209	197	168	
Individuals								
Periodic cash benefits	4,353	4,362	4,712	5,083	5,496	5,463	4,923	
Lump sum benefits	144	148	170	171	167	163	132	

Source: Basic Indicators of Labour and Social Protection (Ministry of Labour and Social Affairs, periodic publications).

Data on average numbers of beneficiaries (and expenditure) provided by the MLSA since 2003 document that these numbers, as well as expenditure, tended to slightly decrease in recent years (2003-2006). This trend may be explained by somewhat decreasing unemployment rates as well

as by increasing real incomes. However, the number of recipients-individuals was about twice as high as the number of recipients-families with children.

Table 4 Social assistance benefits (cash benefits provided on grounds of social neediness): average number of beneficiaries and costs of benefits per month (in thousand CZK)

Indicator	2003	2004	2005	2006	2007
Benefits to the elderly					
Periodic cash benefits					
- average monthly number of beneficiaries	3,543	3,800	4,186	4,653	
- <i>average monthly expenditure (thous.CZK)</i>	44,597	28,529	8,760	8,518	
Lump sum benefits					
- average monthly number of beneficiaries	4,819	4,299	4,055	3,484	
- <i>average monthly expenditure (thous.CZK)</i>	18,340	16,052	15,910	13,366	
Families with children					
Periodic cash benefits					
- average monthly number of beneficiaries	86,346	93,749	80,857	72,396	
- <i>average monthly expenditure (thous.CZK)</i>	322,497	309,873	276,745	265,892	
Periodic child maintenance allowance					
- average monthly number of beneficiaries	13,132	12,325	11,622	10,067	
- <i>average monthly expenditure (thous.CZK)</i>	9,188	8,860	8,455	7,738	
Lump sum benefits					
- average monthly number of beneficiaries	6,921	6,043	5,563	4,546	
- <i>average monthly expenditure (thous.CZK)</i>	20,051	17,478	16,439	14,062	
Individuals					
Periodic cash benefits					
- average monthly number of beneficiaries	150,715	149,923	134,646	140,596	
- <i>average monthly expenditure (thous.CZK)</i>	423,607	457,995	455,268	410,358	
Lump sum benefits					
- average monthly number of beneficiaries	3,578	3,350	3,215	2,809	
- <i>average monthly expenditure (thous.CZK)</i>	14,263	13,902	13,566	10,992	
Total periodic benefits	799,899	805,257	749,228	692,506	273,877
average monthly expenditure (thous.CZK)					
Total lump sum benefits	52,654	47,423	45,915	32,096	14,183
average monthly expenditure (thous.CZK)					
Total average monthly expenditure (thous. CZK)	852,553	852,689	795,143	724,602	288,070

Sources: Basic Indicators of Labour and Social Protection (Ministry of Labour and Social Affairs), adjusted, own computations.

Note: for 2007 only data on expenditure is available

In 2005 the Ministry of Labour and Social Affairs started to collect basic information on the recipients using a special monitoring tool – form, however, discontinued this monitoring in 2007. Based on the collected data we can see that the prevailing part of recipients are households without children (individuals) of whom the majority are unemployed persons (more than 60 %, and more than 80 % among childless households). Also, 70 % of recipients were receiving the benefits for a period longer than 6 months.

Table 5 Data on social assistance benefits recipients at the end of the given year (data by the Ministry of Labour and Social Affairs)

	2005		2006	
	Absolute number of households	Per cent in total population (households)	Absolute number of households	Per cent in total population (households)
Social assistance benefits recipients (households)	243,244	5.7	170,292	4.0
- complete households with children	29,372	1.26	18,348	0.78
- incomplete households with children	54,232	9.4	38,672	6.71
- households without children	157,098	11.6	112,293	8.25
		Per cent from recipients		Per cent from recipients
Recipients in the registry for longer than 6 months	174,201	71.6	119,468	70.0
Unemployed recipients in total	150,032	61.7	107,640	63.2
Unemployed recipients among households without children	129,682	82.6	96,858	86.3

Source: data by the MLSA, computed by Trbola (RILSA), adjusted

A more detailed analysis by Sirovátka, Kofroň and Trbola (2003), which was based on individual data from several social departments, made it possible to compare the structure of recipients with those presented in a study by Saraceno et al. (2002).

The structure of Czech social assistance benefits recipients resembled in 2002 those in Germany and Sweden (see **Table 6**), with a high share of young people, singles, and the unemployed. This is because, unlike in the case of families with children, other social benefits (such as state social support benefits and unemployment benefits) are less accessible to these groups and considerably lower. A specific feature of the recipients' structure in the Czech Republic is a low share of complete families with children and a slightly higher share of recipients in the highest age category.

However, in contrast to the systems in Sweden and Germany, pressures on activation and support to activation in the labour market were rather weak prior to 2007 and thus the duration of receiving social assistance was relatively considerable in the case of all categories of recipients - while for example in Southern Europe, where the problem of long-term welfare dependency is also faced, this only applies to complete families with children.

On the basis of available data we can distinguish among four prevailing categories of recipients:

- a) Marginalized people, some of whom are being labelled as 'less socially adaptive': non-family type of households, most frequently individuals in all age categories, men, unemployed people, sometimes people disabled on grounds of poor health, people depending on alcohol, lacking family and friendship ties, sometimes homeless people, almost fully dependent on welfare.
- b) Young unemployed, often school leavers, often living with parents who tend to use the system only temporarily, sometimes instrumentally (since their families, who support them, may enjoy a good living standard).

- c) Single parents (nearly in all cases women) who lack human and social capital, sometimes kept in the unemployment trap, sometimes living in unstable partnership, which makes it complicated to judge whether they misuse the system or not (by declaring that they do not share household with a co-habiting partner).
- d) Complete families with children, especially with a higher number of children, partly unemployed, partly on low wages, often exposed to the unemployment trap.

Table 6 The structure of social assistance recipients in the Czech Republic and in international comparison (in % from the total of recipients)

<i>Age category</i>	Milano Italy	Barcelona Spain	Bremen Germany	Helsingborg Sweden	Lisbon Portugal	Rennes France	CZ
18-29	18.8	15.4	54.4	59.0	15.7	43.0	47.2
30-44	43.4	35.9	33.2	27.1	36.4	42.1	30.9
45-64	37.9	48.7	12.4	13.9	48.0	14.9	22.0
Number of household's members							
1	27.3	45.1	42.5	61.5	23.3	47.5	51.4
2	21.2	18.8	19.9	16.4	20.2	24.2	17.1
3	21.4	14.4	18.7	13.5	24.7	14.7	14.7
4 +	30.1	21.7	18.9	8.6	31.8	13.6	16.8
Type of household							
Single	27.3	45.3	41.2	59.8	23.2	47.4	51.4
Single, child(ren)	15.4	26.2	10.6	17.2	23.7	n.d.	16.4
Couple, child(ren)	26.3	14.5	15.7	16.0	31.8	n.d.	12.1
Other no child	31.0	14.0	32.5	7.0	21.3	n.d.	20.0
The length of receiving benefits							
- 6 months	57.3	7.4	46.1	52.0	14.6	n.d.	29.4
7-12 months	19.1	12.3	15.7	17.8	10.1	n.d.	18.9
13-24 months	16.3	19.3	18.0	15.5	17.2	n.d.	19.4
25 + months	7.3	61.0	20.3	7.8	58.1	n.d.	32.3
median (months)	4.93	26.86	5.57	4.05	33.50	n.d.	13.0

Source: Sirovátka, Kofroň, Trbola 2003, comparison based on findings by Saraceno et al. (2002) and data collected from 28 municipal Social Departments on social assistance recipients in mid-2002 (n = 29,000 households on welfare)

We can add that the ethnic dimension is important since about half of the Roma population (estimated to form about 2 % of the country's population) is estimated to live on social assistance benefits (representing possibly about one quarter of the recipients) (Sirovátka et al. 2006).

We may conclude that social assistance covers all possible population categories and that some suspicion exists about misuse of the system by some of them. For this reason the changes of eligibility conditions implemented in 2006 aimed at eliminating the disproportionally increasing number of individuals dependent on social assistance and at eliminating long-term dependence on social assistance in general. These changes led to a decrease in the number of recipients of social assistance benefits in all types of households, most transparently in households' of individuals – since adult children sharing accommodation with their parents are now considered to be a household and thus not entitled to benefits.

Unfortunately not much information is available about the numbers and structure of the recipients in 2007 (and 2008) after the crucial legislative changes have been implemented. The Ministry of

Labour and Social Affairs cancelled the statistical tool for the monitoring of recipients in 2007 and the electronic database of recipients which has recently been unified is not well organised for analytical purposes. However, a recent study by Jahoda, Kofroň and Šimíková (2009) has exhausted aggregate data from the MLSA and supplemented them with qualitative interviews conducted at Social Departments of municipalities.

Table 7 The change of the numbers of social assistance benefits recipients in 2006 and 2007

Households	Social assistance benefit	Allowance for living		Supplement for housing
	"12/2006"	"11/2007"	INDEX	"11/2007"
Total	169 313	71 640	0,42	24 984
Without children	112 293	44 402	0,40	14 563
Individuals	99 999	36 775	0,37	12 118
Other	12 294	7 627	0,62	2 445
With children	57 020	27 238	0,48	10 421
Complete	18 348	12 561 ^e	0,69 ^e	4 064 ^e
Incomplete	38 672	14 677 ^e	0,38 ^e	6 357 ^e
(3 and more ch.)	10 928	5 370	0,49	1 877

e – estimates based computations by authors

Source: Jahoda, Kofroň, Šimíková 2009

Data: aggregate outputs from OK davky/benefits database, computations by authors

The data shows that due to the impact of the Act on Material Need and Act on Living and Subsistence Minimum (2006) the numbers of recipients decreased by about 58 % in total. In households of single persons it was even 63 %.

However, we can see that individuals still represent more than half of the recipients of social assistance, while families with children represent about 38 %, the majority of whom are incomplete families. Middle-age categories dominate the age structure of the recipients: 8 % are below 25 years, 22 % in the category 26-35 years, 27 % in the category 36-45 years, 28 % in the category 45-55 years, 14 % in the category 56-65 years and only 1 % in the category over 65 years. No data currently exists on the share of the unemployed – however we assume that it has not changed much since 2006 and that they still represent a dominant category among social assistance recipients. The cited study proved that the correlation coefficient between the relative number of recipients of the allowance for living costs (share in population) and the unemployment rate in the regions of the Czech Republic was 0.91 in 2007.

The analysis has brought another interesting finding, which is that recipients of social assistance mostly use rented housing and that the number of homeless is considerable (higher than nine thousand, i.e. 13 % of the recipients). Besides, those who live in 'non-standard forms of housing' (such as dormitories or non-contracted subletting) represent another 23 %.

Table 8 Recipients of the allowance for living in 11/2007 by form of housing

	Benefits paid				
	Number of recipients	In CZK	Number of recipients %	In CZK %	Average amount of the contribution in CZK
Owners	13 818	37 479 647	19%	19%	2 863
Rented housing	32 027	91 432 922	45%	46%	3 022
Other non-standard form of housing (dormitory, non-contracted subletting etc.)	16 399	43 652 749	23%	22%	2 843
homeless	9 052	23 576 851	13%	12%	2 795
No answer	344	943 602	0%	0%	2 949
Total	71 640	197 085 771	100%	100%	2 922

Source: Jahoda, Kofroň, Šimíková 2009, own computations based on statistics by the MLSA

All in all, the data indicates that with decreasing numbers of entitled claimants the share of households with children has increased, and the share of middle-age categories, as well as the share of the unemployed seems to also have somewhat increased. Finally, the numbers of those who may be considered to be persons with cumulated handicaps has increased as well.

We need to keep in mind that deficient incomes are supported not only by social assistance but also by other income-tested benefits, among which social supplementary benefit is of prime importance as it is available to low income households with children. The role of social supplementary benefit was assessed by Jahoda, Kofroň and Šimíková (2009) as well. They used administrative data collected within the information system 'OK davky' which makes it possible to carry out aggregate computations. Their analysis shows that although the absolute, nominal figures of the income thresholds determining entitlements did not in fact significantly change between 2005 and 2007, the number of recipients of the social supplementary benefit decreased substantially in recent years. This was in the first place due to a slower valorisation of the living minimum as compared to increases in wages (entitlements derive from comparison of the family's income to the living minimum). Secondly, an increased parental benefit (since 2006) played a positive role and, lastly, decreasing unemployment rates also contributed to reducing the share of the entitled population. Between 2005 and 2007 (November), the share of claimants entitled to the social supplementary benefit among complete families with children decreased from 16 % to 8 % (90,000 families). Among incomplete families with children this share decreased from 39 % to 29 % (more than 100,000 families), Jahoda, Kofroň, Šimíková (2009). The social supplementary benefit is still widespread compared to social assistance – in fact, it is provided mainly to working families with children. Only 33 % of complete families have a household member who is registered as unemployed. In the case of incomplete families with children this share is 28 %. And while before they are provided with the social supplementary benefit 53 % of complete families and 63 % of incomplete families who receive this benefit find themselves below the threshold of the living minimum, after they are granted the social supplementary benefit it is only 11 % and 13 %, respectively.

Since the threshold of the living minimum (legal poverty line) is lower than the EU at-risk of poverty threshold (at the level of about 60 % – in the case of single persons, and 80 % - in the case of households with children), the size of population entitled to social assistance (and its recipients) is smaller than of those who find themselves at risk of poverty.

2.2 Non-take up

Studies that would focus on the issue of non-take up of benefits and reasons behind it are relatively rare in the Czech Republic (what has been extensively discussed by the policy makers is rather the issue of misuse of benefits; this discussion motivated the reforms of social assistance and unemployment benefit systems). Sirovátka in Mareš (2001) has earlier attempted to estimate non-take up of income-tested benefits of state social support which are highly relevant for supplementing incomes of low income families (see section 1). His estimate indicates a rather considerable extent of non-take up of these benefits. However, we assume that this level was exceptionally high in 1996 due to the fact that in the reference year a new system of income-tested benefits was implemented, and only later on did the entitled population learn how to claim their entitlements and handle the associated administrative procedures.

Table 9 Estimate of non-take up based on data from 1996

	Number of entitled households	Benefits paid in December 1996	% of entitlements claimed
Child benefit	2 337 740	2 184 006	91.9
Social supplementary benefit	815 383	514 514	63.1
Housing benefit *	463 704	183 498	39.6 (50.0)

Source: estimate elaborated by Sirovátka, in Mareš 2001

Entitled households were identified using Microcensus 1996 data on incomes (a representative sample of 23,000 households);

Paid benefits were obtained from the records of the Ministry of Labour and Social Affairs.

* In the case of housing benefit entitlement is determined by income but another condition is either ownership of housing or officially rented housing and permanent residence at the address. We do not know the number of those excluded from entitlement due to these conditions – however, we know that the number of households in the Czech Republic is higher by 10 % than the number of flats. With this correction we can adjust the estimate of non-take up of the housing benefit to about 50 %.

The only existing study on the problem of non-take up, conducted by Mareš (2001) using data from the late nineties, could not provide estimates of the extent of this phenomenon, however, it helps us understand the reasons behind it. Interesting about the Czech case is that while stigmatization of entitled claimants and associated administrative procedures do not play an important role, uncertainty about entitlements and lack of competence concerning how to apply are of key importance.

Table 10 Reasons for not applying for social assistance benefits (respondents with income lower than the living minimum)

	agree	rather agree	rather disagree	disagree
They were not in need of it	40	20	10	30
They thought they were not entitled	60	20	10	10
They were informed too late	0	30	0	70
Their pride inhibited them from applying	10	0	10	80
It would not bring much gain	10	0	10	80
They preferred not to beg	0	0	30	70
They were afraid of the reaction of people in their surroundings	0	0	10	90
People should not live on welfare	0	10	60	30
They did not believe they would get it	10	0	20	70
They did not know how to apply	10	20	0	70
They preferred not to negotiate with the administration	0	20	10	70

Question: 'If you have not submitted an application for the social assistance benefit (or you have not considered applying) this is because...'

Data: representative survey IVVM 1999 (1,000 respondents)

Source: Mareš 2001

Similarly, about half of the respondents with income below 1.6 times the living minimum reported that they did not know at all or knew poorly the conditions of entitlements to social assistance, unemployment benefits or housing benefit. Nearly half of them found it difficult to understand information about social benefits and two thirds reported that the officials with whom they had had to negotiate had been only little willing to help (Mareš 2001).

A recent study by Jahoda, Kofroň and Šimíková (2009) hypothesizes that non-take up of social assistance benefits may be one of the explaining factors for the numbers of recipients dropping sharply in 2007 and that the very non-take up of benefits may be due to more demanding administrative procedures applied (mainly the necessity to provide more information and confirmations from other institutions associated with means testing and decision making about entitlements).

Another reason is a rather underdeveloped individual social work with both potential and current clients (see section 3). For analysis of more recent figures on recipients of social assistance benefits in the population and on non-take up of entitlements we used the SILC data (a representative sample of 17,830 individuals). According to this data 4.2 % of the Czech Republic's population were living on income lower than the living minimum before social assistance benefits (including other social benefits), while 6.5 % of the population were receiving social assistance support in 2005 – these findings roughly correspond to the records of the Ministry of Labour and social Affairs (see **Table 11**). We can see that 1.6 % of the population were living on an average income below the living minimum during the year – however were not in receipt of any social assistance benefit in that year. We consider them as those who underused the system (cases of non-take up). The incidence of those who were entitled to benefits, those who were in receipt of benefits and those who did not take benefits to which they were entitled within specific categories of the population is shown in **Table 11**. On the other hand, 2.3 % of the population lived on incomes that did not, on average, fall below the living minimum level

during the year, yet they were receiving social assistance benefits. This group probably includes some of those who misuse/overuse benefits but we have to admit that although their average incomes were above the threshold of the living minimum during the year, they could have got themselves into a situation of need for a short period of time and could have been entitled to at least a lump sum benefit at some point during the year.

Table 11 Persons entitled to social assistance benefits, beneficiaries and under use (non-take up) of entitlements to social assistance, in per cent of specific categories – estimate based on SILC 2006, data from 2005

	Income of the household below the living minimum without social assistance (income as yearly average)	Was receiving social assistance benefit during the year	Was not receiving any social assistance benefit although income was below the living minimum
Total	4.2	6.5	1.6
by gender	4.2	6.8	1.5
Men	4.2	6.2	1.8
Women			
Age			
<16	8.6	8.4	3.5
16–25	5.7	10.1	2.0
26–34	4.1	4.8	2.0
35–44	5.4	7.8	2.3
45–54	3.7	7.6	1.0
55–64	0.9	3.6	0.2
>65	0.3	3.3	0.1
type of household according to labour market status			
working-employed	1.3	3.8	0.9
Non-working – unemployed	50.4	55.5	10.9
Non-working retired	0.6	2.3	0.5
Non-working – other non-active	44.9	12.7	35.3
Type of household – type EU			
Single, under 65	6.8	12.2	1.0
Single, 65 and over	3.3	5.7	2.5
Couples, both under 65	0.2	2.2	0.1
Couple, at least one of whom is 65 or older	2.2	3.5	1.0
Other households without children	0.2	3.2	0.0
Couples with 1 child (younger than 18)	2.4	2.9	1.6
Couples with 2 children	4.5	4.1	2.0
Couples with 3 or more children	18.6	13.2	5.6
Single-parent family with child/children	22.3	18.7	9.1
Other households with children	1.5	10.0	0.1
Type of household by education			
Low level of education - both basic education	14.6	21.4	3.4
Middle level (at least one)	4.0	6.6	1.7
High level (at least one)	0.8	0.3	0.8

Notes:

Household according to labour market status: **working** – at least one member of the household is employed, **non-working - unemployed** – household without employed member, and at least one member is unemployed, **non-working retired** – household has no employed member, no unemployed, while at least one member is a non-working retiree, **non-working – other non-active** – household with no employed member, no member unemployed, and no retired persons.

Low level of education – both partners less than complete secondary education, **Middle level** – at least one of the partners complete secondary education, **High level** – at least one of the partners high level of education

We can see that the risk of falling below the legal poverty threshold (and potential entitlement to social assistance) is much more concentrated among single parents, complete families with 3 and more children, singles under 65 years, and age categories under 16 years, and highly concentrated among the unemployed and non-active households.

Actual recipients are to be found especially among single parents, complete families with 3 and more children, singles under 65 years, age categories under 26 years and, again, most markedly among the unemployed. This pattern in fact corresponds to the pattern of concentration of poverty risk as measured by the EU poverty line.

Non-take up of social assistance benefits is evident mainly among non-active persons (more than one third!!) and also among single-parent households and families with 3 and more children. On the other hand, data on potential overuse of social assistance indicates high take-up rates (much higher than might be estimated based on income) among singles, people under 25 years and the unemployed. We can see that the extent of under use of entitlements to social assistance corresponds to more than one third of entitled persons.

2.3 Adequacy of the minimum income scheme

As mentioned in the first section, political representations in the Czech Republic paid great attention to alleviating the risks of poverty associated with the transformation process. This pragmatic approach, underpinned by an already existing expert study by the Research Institute of Labour and Social Affairs (represented in this matter by Miroslav Hiršl), made it possible to soon elaborate a relatively generous minimum income scheme, adequate to the aim to protect the minimum living standard in a situation of rapidly increasing living costs in 1991-1992.

At the beginning of 1990 an expert committee was established to elaborate minimum living standards, making use of much of the data from the previous as well as a new expert study (Hiršl 1989, INFOSTAT 1991, VÚPSV 1991). The committee combined the normative and the statistical method and prepared a proposal which had been carefully and repeatedly discussed at tripartite level before it was accepted by the Parliament in October 1991 (Dlouhý 1997).

Since real wages decreased very sharply in 1991-1992, and the minimum wage sank to the level of 26 % of the average wage, the replacement rates of social assistance benefits were set at a relatively high level at the beginning of the nineties. However, as real wages were increasing during the nineties, the living minimum standard was revaluated only with some delay and did not reflect the increase in wages. This approach was aimed at improving work incentives since in the case of single adults the level of the living minimum was evidently higher than the minimum wage until 2000. In fact, the level of the minimum living standard was constantly higher than the really paid average unemployment benefit, which explains for the relatively significant role of social assistance benefits for the unemployed in general (only part of them – varying between 50 % at the beginning and 25 % later on – were entitled to unemployment benefits, and if so, these

benefits were often lower than the living minimum and were provided for 6 months at most). When the Social Democratic government, established in 1998, started to increase the minimum wage this ratio improved (see **Table 1 in Appendix**). On the other hand, the replacement rates of the living minimum continued to decrease with increasing wages between 2000 and 2006. From the long-term perspective, the original generosity of the minimum income scheme measured by replacement rates has dropped during the past decade (see **Table 12**).

Table 12 The net replacement rate of social benefits for long-term unemployed on social assistance (in the 60th month of benefit receipt) in Czech Republic

	Single person	Couple	Single, 2 children	Couple, 2 children	Average
1995	45	72	90	99	76
1999	46	71	83	88	72
2001	45	70	70	83	67
2002	43	67	69	81	65
2003	41	64	67	78	63
2004	36	60	64	74	59
2005	39	61	62	70	58
2006	37	58	62	69	56

Source: OECD 2008, 2007, 2006 and 2002 (Benefits and Wages: tax-benefit OECD model)

<http://www.oecd.org/dataoecd/16/42/39720461.xls>

Note: The OECD presents the statistics as a combination of the replacement rate for those earning an average income and those earning 67 % of the average wage. OECD average in 2007: 44, 52, 58, 64, 54, respectively.

For the purpose of assessing the adequacy of the minimum income scheme we can also use another measure provided by Eurostat – which is the level of social assistance benefits compared to the EU poverty line. In international comparison, within the context of the OECD countries, the replacement rates of social assistance benefits seem to be close to the average standard or slightly above it, while replacement rates in the case of single adults are rather low in the Czech Republic (see **Table 13**). Similarly, when we compare income of social assistance recipients in 2006 with the at-risk of poverty thresholds for different types of households we can still perceive the Czech Republic as a country where the set standards of minimum income schemes correspond to the prevailing standards across the EU, and are slightly lower in the case of single adult households.

Table 13 Net income of social assistance recipients as % of the at-risk of poverty threshold for 3 jobless household types, 2006

Country	LT	SK	PT	MT	EE	HU	ES	LV	CZ	BE
Single person	0.3	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Lone parent, 2 children	0.7	0.6	0.7	0.4	0.6	0.9	0.6	1.3	0.8	0.9
Married couple, 2 children	0.7	0.5	0.8	0.3	0.5	0.9	0.4	1.1	0.8	0.6
Country	PL	LU	CY	FR	SI	AT	DE	FI	SE	
Single person	0.7	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.1	
Lone parent, 2 children	0.9	0.8	0.8	0.8	1.0	0.9	1.2	0.9	0.9	
Married couple, 2 children	0.7	0.7	0.7	0.7	0.9	0.8	1.1	0.9	0.8	

Source: European Commission (2009): data_inclusion_en; Context 9 and 10

What has been perceived as a problem with respect to adequacy are the continuously rising housing costs, which means that the level of the component of the living minimum designed to cover the shared costs of households have not in recent years been adequate to real expenses on housing (see **Table 14**). For example, data from SILC 2006 confirm that these real costs of housing were higher than the cash support of housing costs to which households are entitled, which means that households receiving social assistance have to contribute towards the real costs of housing using the component of the living minimum intended to cover the basic needs of individuals/households.⁸

Table 14 Households whose income is less than the living minimum: real housing costs and supported 'shared costs of households'

No of persons	Housing costs on average, CZK	Share of housing costs in total income (%)	Shared costs of households (component of the minimum living standard) CZK	N (cases)
1	2260	73	2020	23332
2	3937	71	2630	46590
3	4240	58	3260	57411
4	3702	37	3260	78596
5	4924	44	3660	53084
6	4195	43	3660	10688
7	5505	37	3660	24694
10	3687	17	3660	1000

Source: own computations based on SILC 2006 (households with 8 and 9 members were not found in the sample)
 Note: income supposed at the level of the living allowance computed for households with 1-2 persons using the rate for adults, households with 3-7 persons using the rates for two adults and children (average calculated from the four levels of the living allowance for children is used); In the case of household of 10 persons a third adult is added.

Not only that real housing costs are higher on average but they are also differentiated depending on the form of housing, region and size of dwelling. For this reason the Ministry of Labour and Social Affairs prepared a systemic change of the living minimum standards. Attention was paid to the issue of adequacy of the minimum income scheme and the Research Institute of Labour and Social Affairs was asked to carry out a study to revise the contents and construction of the living minimum. This study (Baštýř, Chomátová, Kotýnková 2003) then became a basis for reforming the minimum income scheme. The aim was – in conditions of decreasing replacement rates of the social assistance benefits and increasing costs of housing - to provide more adequate protection against poverty while improving incentives. A study by Jahoda, Kofroň and Šimíková (2009) brings some evidence that social assistance benefits provided to cover the housing costs have increased in most cases after the new Act from 2006 was implemented. On the other hand, there are still many claimants who have lost the previous level of benefits and this problem deserves further research. The crucial question remains to what extent the increase in cash support towards housing will be adequate to the increase in housing costs since prices of bills and rents have been rising more rapidly than those of other goods and services.

⁸ On the other hand, we do not know how often claimants were provided with an increased level of support towards the housing costs (a possibility that is at the discretion of each Social Department).

Besides, until recently a large portion of households were protected due to the opportunity to have a regulated tenancy (an estimated 650,000-750,000 households, which is about 15 % of the population). The Act No 107/2006 Coll. scheduled gradual rent deregulation (approximately a 15-20 % increase each year) in order to create conditions for the functioning of the housing market by 2010. However, in many locations the increase was even faster in 2007-2008 than originally assumed. Data by the Czech Statistical Office (Household budget statistics)⁹ shows that in the case of families with children and low incomes (less than 1.4 times the subsistence minimum) the share of expenditure on housing increased between the last quarter of 2005 and the last quarter of 2008 from 24.7 to 26.6 % of their total expenditure (while on average it was from 18.7 to 19.4 %). Even data by SILC 2006 document that for many households the cost of housing is especially burdensome. In poor households the cost of housing is regarded as a serious burden by 55 % of respondents. There is also a link between unemployment (which is increasing at present due to the financial crisis) and the housing costs being perceived as a serious burden. The cost of housing in general represents a great burden for people who rent their dwelling at a market rent: 40 % of persons living in rented dwellings with market-based rent see the cost of housing as a significant burden; among people subletting a dwelling the proportion rises to 49.3 % (Hora, Kofroň, Sirovátka 2008). Considering the generally increasing costs of housing and rent deregulation in combination with increasing unemployment we may assume that the situation is even worse today.

Besides, in consequence of the new changes in the Act on Material Need the number of households with a higher number of members has increased, which means that the decreased number of persons supported by social assistance has not probably been as remarkable as the decreased number of households (recipients of benefits). Lastly, some types of households may be endangered by poverty although they are not entitled to social assistance. For example, even in cases when parents are pensioners their adult children are considered to be dependent on their income as a household (if they share accommodation), which means that the living standard of such families may drop close to the level of the living minimum and below the at-risk-of poverty threshold.

2.4 Effectiveness of the minimum income scheme in eliminating poverty

Although studies on the effectiveness of minimum income schemes are relatively rare, the low level of at-risk of poverty rate during the nineties and even later indicates that the strategy of compensation for low incomes has been successful. The Czech Republic is a country where at-risk of poverty rate is among the lowest in Europe in the long-term, comparable to the Scandinavian countries. The European Commission (2008: 9) reflects that the impact of social transfers excluding pensions on the reduction of the poverty rate is above 50 % in the Czech Republic, the result being close to the leading Scandinavian countries like Sweden, Denmark and Finland.¹⁰

However, the risk of poverty has increased since 1992, which indicates a somewhat decreasing effectiveness of the minimum income schemes (which is probably associated with the decreasing adequacy measured by replacement rates, see **Table 15**).

⁹ Available from: <http://www.czso.cz/csu/2008edicniplan.nsf/p/3005-08>, visited April 10, 2009.

¹⁰ Despite that expenditure on social protection is much lower (about 19 % in 2005) compared to Sweden (32 %), Denmark (30 %) and Finland (27 %).

Table 15 Persons at risk of poverty by the EU poverty line 1988 – 2006 (percentage)

	1988	1992	1996	2002	2006
Below EU PL	7.5	4.1	6.4	8.3	9.8

Source: Večerník 2005, Sirovátka, Hora, Kofroň 2008, data by Microcensus 1988-2002 and SILC 2006

Sainsbury and Morissens (2002) assessed the effectiveness of the Czech system of social transfers on the poverty risk as one of the highest in Europe based on data from the mid-nineties. Trbola and Sirovátka (2006) attempted to assess the impact of the various social transfers on eliminating the poverty risks, measured against the legal living minimum, using Microcensus data from 2002. They show that social assistance benefits do play a role in reshifting a significant part of those below the threshold of the living minimum above its level. However, they take into account the role of other major income-tested benefits and argue that it is similarly important, mainly in the case of families with children, and most transparently in the case of 3 and more children, as well as in the case of single-parent families. However, while in the case of working families this effect seems to be highly satisfactory, it is still rather weak in the case of unemployed families. Although, in general, the effects of minimum income schemes are satisfactory, they are not sufficient when it comes to protecting relatively large portions of the most vulnerable categories, such as the unemployed, single parents and families with many children, against a higher degree of the poverty risk (see **Table 16**).

Table 16 The effectiveness of selected social transfers on eliminating poverty (legal living minimum) by Microcensus 2002 (data 2001)

	Income of the household before social transfers below the living minimum (yearly average)	Income of the household before and after social supplementary benefit plus housing benefit below the living minimum (yearly average)	Income of the household without social assistance below the living minimum (yearly average)	Income after social assistance below the living minimum
Total	31.9	8.9/ 6.4	6.2	3.6
<16	28.3	19.3/ 13.4	4.6	2.7
type of household according to labour market status				
Working-employed	13.6	4.9/ 2.4	2.2	1.6
Non-working – unemployed	98.4	76.3/ 71.1	71.1	34.5
Non-working retired	98.8	2.8/ 2.2	1.9	1.6
Non-working – other non-active	75.9	72.5/ 63.1	57.5	42.8
Type of household – type EU				
Single, under 65	36.0	8.7/ 8.3	8.3	4.4
Single, 65 and over	98.3	0.0	..	..
Couples, both under 65	24.8	1.4/ 1.4	1.4	0.6
Couple, at least one of whom is 65 or older	95.5	0.0	..	..
Other households without children	25.5	6.2/ 4.1	4.3	1.8
Couples with 1 child (younger than 18)	13.7	7.6/ 5.5	5.2	2.6
Couples with 2 children	12.7	6.5/ 5.3	5.2	3.6
Couples with 3 or more children	41.3	29.2/ 15.8	15.5	11.8
Single-parent family with child/children	50.8	41.8/ 30.1	28.5	16.1
Other households with children	25.5	13.0/ 10.4	9.4	6.8

Source: computations by the Czech Statistical Office according to proposition by Trbola and Sirovátka (2006)

Recent data by SILC 2006 confirm the above findings: the proportion of population below the living minimum threshold is again relatively low, even slightly lower than in 2002 (however, we need to take into consideration the declining replacement rates of the living minimum when compared to wages). Again, the effect of social assistance benefits is really important, yet seems slightly less important than in 2002, and, again, relatively high portions of the most vulnerable groups remain below the threshold of the legal living minimum. This may be partly due to non-take up (under use) of entitlements. When we assess the impact of social assistance, taking into account the EU poverty line, the effects – although generally satisfactory – again seem to be rather weak in the case of the most vulnerable groups. Thus especially the unemployed, families of single parents and families with three and more children and, lastly, children in general, seem to be threatened by the risks of income deprivation surprisingly often, considering the generally

low at-risk of poverty rate (see **Table 2 in Appendix**). These problems severely affect also those households where the main income consists of social benefits.

On top of that, the difference in the risks of poverty measured against the legal living minimum on the one hand, and the EU at-risk of poverty threshold on the other hand seems to be remarkable. This is a consequence of the delayed revaluation of the living minimum, lagging behind increases in wages. The adequacy of social assistance is not so bad in international comparison, however, it is evident that high numbers of people in specific categories find themselves close to the legal living minimum although slightly above its threshold.

Evaluation of impacts of the changes concerning the composition of the living minimum that were implemented in 2006 is not as yet available. It seems that many of the households in material need get better (higher) benefits under the new system, as assumed from calculation of the total sum of social assistance benefits provided to them. This is partly a consequence of the increased living minimum level for personal needs, as well as of the new construction of the supplement for housing costs which responds more adequately to real housing costs (see findings by Jahoda, Kofroň and Šimíková 2009).

Some problems arise in cases when the recipients of social assistance live in rented housing. Rent deregulation impacts harshly on those recipients who do not live in a housing estate where rents are still regulated. The problem is that municipalities have auctioned practically all housing estates off to private owners and do not have any available stock of 'social housing'. Some social assistance recipients thus have to accept temporary emergency housing which is in private ownership and rented at relatively high costs. In such cases, Social Departments of municipalities fully cover these housing costs (rents, bills and other), owing to the concept of 'special respect'. Cases nevertheless exist when rented housing cannot be covered fully (up to the real level), in compliance with legislation. In such cases the households have to pay the rest using the part of the living minimum intended for basic personal needs (allowance for living).

3. Section 3: Services

For people exposed to the risks of material deprivation, services and in-kind benefits may play a significant role in terms of providing counselling how to meet one's needs and restore one's sovereignty, supporting access to paid jobs, helping to secure some of their urgent needs such as e.g. housing, health care and childcare. In general, while the benefit system seems to be rather developed, we do find more deficit areas in services which are relevant for social assistance. Consistency between social protection schemes, employment policies and social services is rather weak in spite of improved incentives to work (see activation measures adopted during 2004-2008).

3.1 Personalized services and training for the unemployed

3.1.1 Activation through incentives to job-search

For a long time there had been no specific measures targeted at social assistance claimants. However, the Act on Material Need implemented a new institute of Activation plans, with effect from January 2007, which were to – as one of the measures of individual social work – improve motivation to and effectiveness of job-search of social assistance recipients. As some findings indicate this measure has not been much used in practice until now due to insufficient staff capacity and/or lack of professional skills as well as due to unclear division of competences and coordination between such activities and those of Employment Offices. Where it has been used, it has rather served as a controlling tool over job search (Jahoda, Kofroň, Šimíková 2009). Since January 2009 a duty has been imposed on Employment Offices, under an amendment to the Employment Act, to elaborate Individual Activation Plans with unemployed people after 5 months of unemployment (in fact, entitlement to unemployment benefits expires after 6 months of unemployment in the case of people younger than 50 years). We can perceive this measure as relevant for the category of social assistance recipients similarly as other measures aimed at the long term unemployed.

Data indicates that these measures are not applied very frequently and this group (long-term unemployed/social assistance recipients) seems to be rather underrepresented in active labour policy measures like individual support in job search or labour market training. However, we need to note that the strategy to regulate behaviour of the unemployed towards a more effective job-search seems to be quite complex since 2004, consisting of a combination of measures like curtailing benefits (existence minimum) and increased conditionality (definition of a suitable job), supplemented with positive incentives (back-to-work benefits/bonuses). This strategy seems to have brought some results in terms of reducing benefit dependency. We see (**Table 17**) that in conditions of economic growth and with incentive measures having been implemented, more than a quarter of the outflows from registers in 2007 and 2008 were unemployed people excluded due to misconduct, while in 2004 it was (similarly as in previous years) only about 11 %. This is a substantial proportion, explaining for the diminished share of the long-term unemployed in registers in 2008, and partly possibly also for the diminished numbers of social assistance recipients (although excluded beneficiaries often return back after a period of six months to re-register and are no longer counted as long-term unemployed). On the other hand, while the share of the (registered) long-term unemployed dropped in 2008 from 39 % to 29 % (while it had constantly been 40-41 % over the previous years), the LFS data still document a high share of

long-term unemployment – about half of the unemployment stock with little change: in the third quarter of 2008 it was still 48.4 %, which is among the highest rates in Europe and in the second quarter it was even higher – 51.2 % (against the average of 38.5 % in EU 27).

Table 17 The unemployed excluded from the register due to misconduct (non-compliance with rules of cooperation with PES)

	2004	2005	2006	2007	2008
Unemployed (thousands)	541.7	510.4	448.5	354.9	352.2
Outflows from register (thousands)	675.1	669.5	672.6	652.6	6.798
Excluded from register (thousands)	59.6	83.5	87.0	97.2	91.1
Excluded as per cent of unemployment outflows	11.0	16.5	19.4	27.4	25.9

Note: data by MLSA, own computations.

3.1.2 Activation through supporting access to jobs and capabilities

In response to a threefold rise in registered unemployment in the late nineties the Czech Republic slightly increased active labour market policy expenditure to about 0.12-0.13 % of GDP and this level has not changed ever since. This is much less than in countries with a comparable unemployment rate (see OECD 2007). The public finance reform carried out in 2003 lowered the social insurance allocation to labour market policies from 3.6 % to 1.6 % of the payroll in favour of the deficient pension fund and fixed that pattern.

A signal of a turn in policy appeared with the accession to the EU: an important intention of the NAPE 2004-2006 was to improve the offer of active employment policy measures by raising resources allocated to this sector (MLSA, 2004a: 41). Beginning in 2005, new opportunities opened up for active labour market policies through projects of the ESF. And indeed, during 2006 and 2007, the projects of the ESF made it possible to increase the relative numbers of ALMP participants from 19 to nearly 32 and then 39 % of the unemployment stock (which is more than a twofold increase). However, in 2008 the trend has been reversed towards the former level (see Table 18).

Table 18 Active policy measures and unemployment (Czech Republic), PES data

	2004	2005	2006	2007	2008
Unemployed	541,700	510,416	448,545	354,878	352,250
Total ALMP participants	105,959	97,797	141,210	136,649	85,284
as % of unemployment stock	19.6	19.2	31.5	38.5	24.2
out of which ESF in %			30.8	53.7	34.5
Vocational training out of which ESF	44,089	41,318	53,504 (16,306)	57,031 (35,675)	38,945 (12,901)
out of which ESF	:	:	1,277,664	2,100,512	:

Source: MLSA 2004b, MLSA 2006, MLSA 2007, MLSA web portal

The data in **Table 18** indicates that although the total share of ALMP participants to the unemployment stock has further increased, the number of participants financed from national resources has obviously dropped by about one third and the total number of participants dropped. Finally, in 2008 the numbers of participants in ALMP measures dropped below the level of 2005 and the ESF projects represented about one third of the programmes.

When we look at the targeting of measures aimed at improving human capital and employability (which is the case of vocational training measures), we see (**Table 19**) that not only the number of the participants dropped in 2008 below the level of 2005 but also that the most vulnerable and most needy groups are still rather underrepresented among the participants.

Table 19 Targeting of the measures of vocational training at specific groups (PES data)

	2005			2008		
	U	P	Index	U	P	index
- 24	18.9	23.4	1.24	17.2	15.9	0.92
50+	25.2	12.0	0.48	29.3	20.2	0.69
Elementary education	32.5	11.5	0.35	30.2	16.5	0.55
Disability	14.8	14.6	0,99	17.4	11.5	0,66
12+	41.7	23.0	0.55	28.8	24.6	0.85
24+	26.1	11.3	0.43	17.2	14.1	0.82

Note: U – share in % in unemployment, P – share in % in participants, index = P/U

We see that between the two compared years, 2005 and 2008, which were similar in scope of the measures, the targeting of ALMP measures increased a little in the case of older unemployed people, low skilled and long-term unemployed people who became slightly more often included by 2008. Kulhavý and Sirovátka (2008) who assessed the targeting of the measures in 2006, using a database of individual data on the unemployed, document that a creaming off effect is obvious from the results of logistic regression: it is above all the level of education and the total duration of unemployment that play a significant role. The most disadvantaged people are, according to these variables, the least represented in programmes of vocational training but also in programmes of job creation in the private sector, including self-employment.

3.1.3 Individual case work (action plans)

Since 2004 Public Employment Services have increased pressures on the unemployed to become more active in job search. They have also recognized that support in developing job-search skills is also important, especially in the case of young unemployed people. The measure how to address the above mentioned issues was articulated in Guideline 1 “*prevention and early activation*” of the EES which promoted implementation of Individual Action Plans (IAPs). The National Action Plan for Employment 2004-2006 laid down that all employment offices should, beginning in 2004, launch Individual Action Plans (First Opportunity) for unemployed people

under 25 years of age, with the prospect of extending the offer to unemployed people over the age of 25 beginning in 2006 (New Start).¹¹

The Ministry of Labour and Social Affairs embedded this instrument in the new Employment Act (2004) and in the National Action Plan for Employment, and obliged all Employment Offices to implement it by offering the IAP to every unemployed below 25 years of age. The original intention was to include high numbers of the unemployed into IAPs. However, Employment Offices in locations with high unemployment where this goal was beyond the capacity of available staff ¹² found it uneasy. The Employment Offices re-shifted the goals of IAPs by narrowing the target group: they targeted IAPs at those unemployed who agreed to sign the contract (expecting that this arrangement would guarantee a better service). Apparently these were not only the unemployed who were facing problems in job search but also the more motivated ones. Besides, with refocusing the target group, the numbers of unemployed people who concluded the IAP contract dropped significantly (see **Table 20**). ¹³

Table 20 The Individual action plans signed by unemployed < 25 years, PES data

	2004	2005	2006
Inflows of the unemployed < 25	39,449	45,839	39,229
IAPs	19,477	14,909	7,064
IAPs in % of inflows	49.3	32.5	18.0

Note: data by MLSA (2005, 2006, 2007), own computations.

Thus the target of 25,000 IAPs promised in the National Reform Programme 2005-2008 for the year 2006 was not met. As implementation case studies show (Sirovátka, Horák, Horáková 2008) there were several reasons behind the decreasing numbers of the IAPs. Firstly, some Employment Offices targeted support in job-search and in job-search skills at the needy (and motivated) unemployed persons, however in rather limited numbers corresponding to available capacities. In contrast, at most of the Employment Offices rather the bureaucratic style of work prevailed since the mediators/counsellors had strong doubts about the rationale of IAPs, given the perceived mismatch between the original target to mobilize those who are passive and the voluntary principle of participation.

In September 2008, the Parliament approved the proposal that Employment Offices be obliged to elaborate Individual Action Plans with unemployed people after 5 months of their unemployment. Failure to fulfil the obligations of this individual contract, refusal to sign the contract, or refusal of vocational training (unsupported by 'serious reasons') would imply sanctions – removal from the register and loss of entitlements to social assistance benefits for six months. This means that IPAs have become obligatory since January 2009 for long-term unemployed persons and should be signed with high numbers of the unemployed. In summary, we can see an increasing focus on

¹¹ First, Individual Action Plans were implemented as a pilot project at 15 selected Employment Offices (out of 77 Employment Offices in the country) during 2003.

¹² A typical workload was between 250 – 400 unemployed persons per one mediator/counselor out of whom about one quarter were unemployed people under 25 years and about 40 % were long-term unemployed people (these groups were to become the target of IAPs).

¹³ While the National Reform Programme 2005-2008 promised 25,000 Individual contracts to be concluded in 2006, the number was only 7,000 (MPSV 2008).

pressures to job-search, while a rather lower effort in supporting employability of the long-term unemployed.

3.2 Other services

In recent years the urgent need has been reflected to develop individual, group and community social work in general, and especially in the area of social assistance. The first practical step was that the Act on Assistance in Material Need from 2006 emphasized the role of social work in handling problems like individual field-work, in-take of clients and counselling: the right to professional counselling was established as one of the key principles of social assistance. Consequently, the Ministry of Labour and Social Affairs has acknowledged the necessity to more thoroughly develop individual social work with recipients of social assistance and other groups at risk. Some deficits were identified in this respect, the most discussed being the problem of lacking personal capacity of Social Departments. The Methodical Guidance No 1/2006 by the MLSA emphasized that the problem of inadequate numbers of staff and their inadequate qualification had been confirmed by Tomeš (2003), as well as by findings by the Supreme Control Authority (Nejvyšší kontrolní úřad) in 2004, and should be seriously addressed by Social Departments in order that social assistance becomes more effective.

While between 50-150 clients per member of staff is considered adequate – with respect to the tasks to be fulfilled, the actual number is considerably higher on average: in 2003, the number of clients served per day was 22, i.e. 18 at departments with less than 250 clients per member of staff and 28 at departments with more than 250 clients per member of staff (compare the MLSA Methodical Guidance No 1/2006). Again, the Methodical Guidance No 8/2007 by the MLSA emphasized the need to improve the personnel capacity of Social Departments, referring to the lacking qualification of staff and criticizing the practice seen in some municipalities of assigning their staff to other agendas in situation of decreasing numbers of social assistance recipients. This makes social work difficult, especially as the share of more demanding clients with cumulated handicaps has been increasing, as well as the complexity of tasks to be performed – among other, the necessity to actively search for the needy population is mentioned in the document. This is also the main reason why the individual ‘activation plans’ implemented by the Act No 111/2006 Coll. had not been realized in practice and were cancelled in 2008. It is stated in the above documents that social work is often limited to verifying and supplementing information necessary for deciding about benefit entitlements, while in some cases even such a basic task is beyond the capacity of staff. Inadequate conditions thus hamper effective approach to the prevention and solution of life situations of social assistance recipients.

Nevertheless, we need to be aware of other agents – NGOs that are front-line actors in handling cases of extreme social exclusion, mainly in terms of providing emergency services and in-kind assistance. Their role is facilitated by the new Act on Social Services (Act No 108/2006 Coll.) which obliged Regional Governments to elaborate Plans on the Development of Social Services, as well as by the possibility to apply for support from the ESF. On the other hand, the amount of state financial support to NGOs diminished in 2009, compared with 2008, and NGOs’ position is unstable. In big cities (regional capitals) they typically provide (with support from the state) asylums for homeless people and do social work with them. They also run field-social-work projects within the so called ‘socially excluded Roma communities’.¹⁴ Access of Roma children to education is supported by a programme of Roma pedagogical school assistants and preparatory classes at elementary schools. Initiatives (including counselling and other social services of

¹⁴ At the same time, social work in the Roma communities is also part of the government programme.

different kind) aiming to eliminate social exclusion in Roma communities have since 2008 been coordinated by a new government agency. However, the scope of these initiatives and the allocated human and financial resources are still lagging far behind the needs. These needs are among other identified by a high frequency of indebtedness on the part of social assistance recipients who do not manage to pay rent and bills to municipalities and other owners and providers.

Another problematic area is access to housing. Since, in past years, municipalities sold most of their housing estates to private owners they do not have any available social housing to handle the problems of social assistance claimants. Instead, they have to pay cash supplements for housing (in some cases really high). The Ministry of Regional Development is currently preparing a programme of social housing investments which should within the next three years bring about 8,500 new flats. However, since the budget for the State Fund of Housing has been cut by about one quarter under the Government Bill for 2009, it will be difficult to achieve such a goal.

Access to health care is universal. Implementation of a fee for health services in 2008 (although it is not high) could have to some extent complicated access to health care for the lowest income groups. However, the fees for visiting the doctor have since April 2009 been cancelled in the case of children and elderly people (they only pay for inpatient hospital care) and the annual ceiling for fees paid has been reduced to lower level for these groups (2,500 CZK – i.e. about 100 EUR – in contrast to 5,000 CZK in the case of working age population). We observe that (according to data from 2005) the Czech Republic is ranked among the countries where the extent of unmet need for medical examination is relatively low – only 1.4 % within the lowest income population quintile (European Commission 2008: 11).

From the perspective of social assistance recipients a certain advantage is that social assistance recipients are exempted from the obligation to pay enrolment fees for their children at state pre-school facilities. Unfortunately, services for children under 3 years are only provided in a very limited extent in the Czech Republic and are available only in big cities (in total they are accessible only to about 2 % of the relevant cohort of children).

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5. Appendix 1: Schemes and Tables

Scheme 1: Key features of the social assistance system as implemented in 1991: Act on Living Minimum (Act No 463/1991 Coll.) and Act on Social Need (Act No 482/1991 Coll.)

Coverage	Citizens (if residents, but exemptions possible in case of urgent need).
Eligibility	Income is less than the living minimum + no possibility to increase income by own effort: by working, by selling property etc.
Persons assessed as household	Parents and dependent children (+ their children), spouses and co-habiting partners (when sharing living costs).
Excluded from entitlement	<ul style="list-style-type: none"> – those who evidently do not try to improve their situation by own effort – those who are neither in any employment relationship or similar, nor self-employed, and at the same time are not listed in the register of job seekers (with exception of people 65+, disabled people, parents of small children, carers for disabled and elderly persons, etc.), including those who were listed in the register of job seekers and have been excluded from the register of Employment Office due to non-cooperation/misconduct – parents who have been sanctioned for failing to comply with their obligations as their child's legal representative in connection with the child's truancy (during the period of compulsory school attendance). – those who are in prison or on remand (full calendar month), or military/civil service
Types of benefits	<p>General assistance benefit: income is supplemented up to the level of the living minimum: repeated benefits based on means-testing. May be increased with respect to real housing costs.</p> <p>May be supplemented with discretionary lump sum benefits, depending on assessment of the needs of the household.</p> <p>Special assistance in cases of urgent need (an immediately provided lump sum).</p> <p>Special bonus which increases the living minimum level of people who need diet nutrition: 600 CZK, from 2003 Amendment no 308/2003 Coll.: 650 – 1,800 CZK depending on the type of diet.</p> <p>Contribution for people caring for a fully dependent person or person older than 80 years who needs personal assistance (benefit up to the level of the minimum pension).</p> <p>Special benefits for people with heavy disabilities or the elderly (over 70 years) which include: contribution towards the costs of purchasing a telephone, contribution towards the costs of barrier-free modification of the flat, contribution towards purchasing special tools for handicapped people, contribution towards the costs of purchase, repair and operation of a car or contribution towards individual transport.</p>
Living minimum	Composed from two components/amounts: for personal needs of the individual members of household and for the household's needs (plus special supplements for disabled people, see above).
Duration of social assistance support	Unlimited if other conditions are met.
Rules of revaluation/ Indexation	<p>Whenever the consumer price index (CPI) increases by more than 10 %.</p> <p>Revaluation should correspond to an increase in net incomes of specific types of households during the previous year.</p> <p>From January 1996 until December 1997 revaluation in effect whenever CPI had increased by more than 5 %, with respect to the real value of the living minimum.</p> <p>In 1998 revaluation in effect whenever CPI had increased by more than 10 %.</p>

	<p>Since January 1999 revaluation in effect whenever CPI had increased by more than 5 %, with respect to the real value of the living minimum.</p> <p>Since 2001 (Act No 492/2000 Coll.) revaluation regularly by January 1st, depending on the real increase in the living costs (CPI), but not necessarily if CPI had increased by less than 2 %; may be also increased sooner whenever the consumer price index had increased by more than 10 %.</p>
Conditionality rules	<p>The recipients cannot increase their income by working.</p> <p>Exempted: old-age and disability pensioners, citizens older than 65 years, parents caring for a child younger than 3 years which cannot enrol in a child caring facility or those caring for 3 or more dependent children.</p>
Special arrangements	<p>Institutional social care is provided free of charge if income of the person is lower than the living minimum.</p>

Scheme 2: Changes implemented in social assistance by Act. No 110/2006, Act No 111/2006 - Act on the Living and Existence Minimum, Act on Assistance in Material Need, Act No 261/2007 on Stabilization of Public Budget and Act No 382/2008

Coverage	<p>Permanent residents in the CR Persons with a long-term residence status in the EC and their family members EU citizens under directly applicable EC legislation EU citizens with registered residence in the Czech Republic for at least 3 months and their family members. <i>In the case of EU citizens special rules exist to assess whether they are not an 'unreasonable burden' for the system – length of residence, employment record, participation in social insurance, qualifications and preparation for professional career are taken into consideration.</i> Beneficiaries of a refugee or subsidiary protection status, persons protected under international treaty (European Social Charter).</p> <p>Extraordinary Immediate Assistance can be provided also to persons residing legally in the Czech Republic and exceptionally - in case of serious threat to their health - even to persons residing illegally.</p>
Eligibility	<p>Income less than the living minimum + no possibility to increase income by own effort – by working or selling property.</p> <p>Persons who cannot master their situation due to unsatisfactory social circumstances, lack financial resources and are endangered by social exclusion, especially if they have been: released from prison, released from psychiatric/health care facility after intensive treatment of different kinds of addictions or psychic impairment, released from an institutional schooling facility at 19 years of age (maturity) their needs are not being met since they are homeless, their rights are being jeopardized by criminal activity of another person.</p>
Persons assessed as household	<p>In the case of allowance for living, parents and dependent children (possibly children of the dependent children), spouses and co-habiting partners provided they share the costs of living (a 'negative declaration' is required if they should be assessed separately). Parents and their adult children if they share accommodation, regardless whether they share a household.</p> <p>In the case of contribution towards the housing costs, all persons living in the flat.</p>
Excluded from entitlement	<ul style="list-style-type: none"> – those who evidently do not try to improve their situation by own effort – those who are neither in any employment relationship or similar, nor self-employed, and are not listed in the register of job seekers (with exception of people 65+, disabled people, parents of small children, carers, etc.) – those who have been listed in the register of job seekers for more than 12 months and have refused to take up short-term employment or to participate in an active employment policy programme without having a serious reason. – those who have been sanctioned for failing to comply with their obligations as their child's

	<p>legal representative in connection with the child's truancy (during the period of compulsory school attendance).</p> <ul style="list-style-type: none"> – those who are in prison or on remand (full calendar month). – those who are residents of facilities provided by the Social Services, including homes for disabled people, homes for the elderly, sheltered and supported housing, health care facilities providing institutional care, etc. (for more than 3 month)
Types of benefits	<p>General assistance (a sole component): allowance for living - up to the level of the living/subsistence minimum (only personal needs are covered by the national living minimum) 'Existence minimum' implemented, about 2/3 of the living minimum for a single person, applied as explained below.</p> <p>Supplement for housing - depends on the real costs of housing, covers the real housing costs (however, must be justified) which are not covered by housing benefit, in the amount which would guarantee income of the household necessary for personal needs (the living minimum).</p> <p>Special assistance in cases of urgent need (an immediately provided lump sum aid)</p> <p>Bonuses increasing the living minimum: Special bonus which increases the level of the living minimum for those who need diet nutrition (600 CZK) Amendment no 308/2003 Coll.: 650 – 1,800 CZK, depending on the type of diet.</p> <p>Special bonus which increases the level of the living minimum for job-seekers after 1 year of unemployment, provided they require - according to the Employment Office assessment - special assistance with job search (600 CZK).</p> <p>Special bonus which increases the level of the living minimum for job-seekers who have proved increased costs of job-search (300 CZK).</p>
Living minimum	<p>Living minimum represents the costs of basic personal needs of individuals/members of the household.</p> <p>Subsistence/existence minimum represents the costs of basic personal needs of individuals/members of the household at a level enabling survival</p>
Duration	<p>Unlimited if other conditions are met.</p> <p>Since January 2009 Living minimum – for 6 months, after which only the existence minimum, exemptions and increased benefits in special cases (see below). Existence minimum – unlimited if other conditions are met.</p>
Rules of revaluation	<p>Since January 2007 whenever the consumer price index increases by more than 5 %, with respect to the real level of the subsistence minimum.</p> <p>Automatic revaluation mechanism discontinued, revaluation at the discretion of the government.</p>
Eligibility/conditional ity rules	<p>See above.</p> <p>The subsistence minimum instead of the living minimum applied in cases where willingness to cooperate with the Social Department in order to improve one's income by working (or other possibilities) is lacking. Pensioners and parents caring for children under 4 years or a dependent person/person older than 80 years are exempted from this rule.</p> <p>Bonuses increasing the living minimum for active job-seekers cancelled.</p> <p>A possibility of in-kind benefits or benefits provided to a 'substitute' recipient in cases of benefit misuse or an increased risk of misuse.</p>

Act No 382/2008 Coll.	<p>An activation plan should be elaborated for those who have been welfare dependent for more than 6 months (and a plan of individual motivation for those whose situation requires immediate assistance).</p> <p>Since January 2009: After 6 months of social assistance benefit receipt the recipients would only be entitled to the allowance for living which would be computed using the 'subsistence minimum' instead of the 'living minimum'.</p> <p>In case they participate in a public service programme (for at least 20-30 hours per month), they would be entitled to the allowance for living computed using the living minimum.</p> <p>If they work for more than 30 hours they would receive a bonus amounting to half the difference between the living minimum and the subsistence minimum.</p> <p>Similarly, those who are employed and have low earnings get this bonus.</p> <p>For job-seekers registered at the Employment Office the subsistence minimum is increased by 30 % of the difference between the living minimum and the subsistence minimum.</p> <p>Activation plan as an instrument used by Social Departments of municipalities has been cancelled (instead, Employment Offices are obliged to elaborate activation plans with all unemployed after 5 months of unemployment).</p>
Special arrangements	<p>Institutional social care is provided free of charge if income is lower than the living minimum.</p> <p>In cases of urgent need, the residence condition is not required.</p>
Disregard	<p>Only 70 % of income from work and 80 % of income from sickness and unemployment benefits is taken into account when testing means of subsistence.</p>

Scheme 3: Overview of relevant family-related benefits of income support

Child benefit

In 1990	<p>1 child - 200 CZK 2 children – 650 CZK 3 children – 1,210 CZK 4 children - 1,720 CZK, 350 CZK for each additional child</p>
1993 (November)	<p>child 0-6: 340 CZK, child 6-10: 380 CZK, child 10-15: 450 CZK, child 15 +: 490 CZK (and supplement for long-term sick children: 500 and 700 CZK, since 1994 – 600 and 800 CZK)</p>
Act No 117/1995 Coll. (in effect since October)	<p>Entitlement is based on income test and the level of benefit is determined by family income.</p> <p>Three levels of benefit, depending on family income and the child's age (the highest when income is low):</p> <ul style="list-style-type: none"> - income of the family 1.8-3 times the living minimum: the level is 0.14 times the living minimum of the child - income of the family 1.1-1.8 times the living minimum: the level is 0.28 times the living minimum of the child - income of the family less than 1.1 times the living minimum – the level is 0.32 times the living minimum of the child
Oct 1997-Dec 1998 ('austerity package')	<p>income of the family 1.8-2.2 times the living minimum – the level is 0.14 times the living minimum of the child income of the family less than 1.8 times the living minimum – the level is 0.27 times the living minimum of the child</p>
Act No 112/2006 Coll. (since January 2007)	<p>Only families with income lower than 4.0 times the living minimum are entitled:</p> <ul style="list-style-type: none"> - income of the family 2.4- 4.0 times the living minimum – the level is 0.16 times the living minimum of the child - income of the family 1.5-2.4 times the living minimum – the level is 0.31 times the living minimum of the child - income of the family less than 1.5 times the living minimum – the level is 0.36 times the living minimum of the child <p>(this adjustment increases the coefficients in view of the lower level of the living minimum so that the entitlements and benefits do not deteriorate)</p>
Act No 261/ 2007 Coll. (in effect since January 2008)	<p>Entitlements restricted to families with income lower than 2.4 times the living minimum. Benefit differentiated only by the child's age: 500 CZK (0-6), 610 CZK (6-15) and 700 (15-26).</p>

Other benefits supporting low income households

In 1990	<p><u>State compensatory benefit</u> (implemented in order to compensate the level of real incomes in conditions of price liberalization) Amount: 140 CZK per month per capita (eligible to all citizens), in 1991 increased for pensioners and children to 220 CZK In 1992 – only economically inactive persons entitled</p>
<p>Act No 117/1995 Coll. (since October 1995)</p>	<p><u>Social supplementary benefit</u> (sociální příplatek). The state compensatory benefit was transformed into the social supplementary benefit. This is the supplement to the child benefit (or 'second child benefit') provided only to low income households with children and based also on income testing. Provided to households whose income is less than 1.6 times the living minimum. Amount computed as follows: $SSB = LM - [(LM \text{ child} \times \text{family income}) / (1.6 \times LM \text{ family})]$, where LM = the living minimum. <u>Housing benefit</u> (příspěvek na bydlení) – compensation towards the housing costs $HB = LM - [(minimum \text{ amount to compensate the housing costs of the family} \times \text{family income}) / (1.4 \times LM \text{ family})]$ The level is about half the SSB. Provided to those who are owners of house/flat or have permanent residence in the house/flat.</p> <p><u>Commuting benefit</u> Entitled - dependent children if commuting to elementary, secondary and higher education facilities.</p>
Oct 1997-Dec 1998 (austerity package)	<p>Housing benefit provided to those households whose income is less than 1.6 times the living minimum.</p>
<p>Act No 75/1997 Coll. (in effect 1997-2000)</p>	<p><u>Heating benefit</u> (implemented to compensate for an increase in the price of energies) Benefit formula similar to the housing benefit but a considerably lower level. Entitled were those whose income was less than 1.6 times the living minimum. $\text{Heating benefit} = LM - [(1/2 \text{ of the minimum amount to compensate the housing costs of the family} \times \text{family income}) / (1.6 \times LM \text{ family})]$.</p>
<p>Act No 132/1997 Coll. (in effect 1997-2000)</p>	<p><u>Rent benefit</u> (implemented in order to compensate for an increase in the price of rents for housing). Entitled were those who were paying rent for housing and whose income was less than 1.6 times the living minimum. Benefit formula similar to the housing benefit but a considerably lower level. Different levels for different regions.</p>
<p>Act No 112/2006</p>	<p>In January 2007 the coefficient for entitlement and the level of the social supplementary benefit was set at 2.2 times the living minimum due to a re-construction of the subsistence minimum (which is now lower because it no longer takes the housing costs into account). The level is similar to that previously valid.</p> <p>The housing benefit provided in view of real costs of housing: it should guarantee that not more than 30 % (35 % in Prague) of families' income is paid towards the housing costs: the difference between real costs of housing (up to a limit of normative housing costs) and 30/35 % of income of the family is paid.</p>
<p>(January 2008) Act No 261/2007</p>	<p>Since January 2008 the coefficient for entitlement of the social supplementary benefit has been set at 2.0 of the living minimum.</p>

Parental benefit

Act No 382/1990	Parental benefit implemented, provided after expiration of the maternity benefit period (28 weeks) until the child reaches 3 years of age. Amount: 900 CZK, April 1992: 1,200 CZK, May 1993: 1,360 CZK, February 1994: 1,500 CZK, October 1994: 1,740 CZK, October 1995: 1,848 CZK Under the condition that the recipient does not work for more than 2 hours per day and his/her earnings do not exceed 1,800 CZK monthly (1994); this condition does not apply in the case of lone parents.
Act No 117/1995 Coll.	Level of the parental benefit: 1.1 times the living minimum for personal needs of the parent Provided until the child reaches 4 years of age Limit on work: 2 hours daily Conditions: full day care for the child (allowed to enrol into a childcare facility only for 4 hours per week).
2005	The limit on earnings as a condition for the parental benefit was cancelled.
2006	From February 2006, a child older than 3 years can spend 4 hours per day in a public childcare institution.
Act No 112/2006 Coll.	Parental benefit nearly doubled, to 40 % of the public sector average wage (7,582 CZK) from 2007.
Act No 261/2007 Coll. Since 2008	Three options available (for the parent to choose from until the child is 18 months old): - fast track, 11,400 CZK, until the child is 24 months old - middle track, 7,600 CZK, until the child is 36 months old - slow track, 7,600 CZK, until the child is 21 months old, and then 3,800 CZK, until the child is 48 months old. Fast track available under the condition that allowance during maternity leave (paid from the social insurance budget) was at least 380 CZK per day.

Scheme 4: Unemployment insurance (Government Decree 195/1990, Employment Act No 1/1991 Coll., Employment Act No 435/2004 Coll. and other)

Coverage	Citizens (if residents), since 2002 citizens of other countries if they have a work permit, since 2004 the EU citizens who are registered at the Employment Office as job-seekers.
Eligibility Employment Act No 1/1991 Coll.	Condition: employment for 12 months during the previous 3 years ('substituting periods' also recognized as employment record: studies at university, caring for children under 3 years or for an elderly person over 80 years who needs assistance). Condition: has not lost the last job on grounds of misconduct.
1999 (Act No 167/1999 Coll.)	In case of repeated unemployment, renewed entitlement to unemployment benefit only for those who worked for at least 6 months after termination of previous entitlement. If, during previous period of unemployment, the benefit had not been provided for full 6 months, and if subsequent employment did not last for 6 months, unemployment benefit could be renewed for the period unused during previous spell of unemployment.
2004 (Employment Act No 435/2004 Coll.)	School graduates no longer entitled to unemployment benefits unless they fulfil the employment record condition (i.e. 12 months of employment within the last three years).
Level of the benefit	<u>Decree of the Federal Ministry of Labour and Social Affairs 195/1989</u> 60 % of previous wage (12 months), 90 % in the case of collective dismissals (for the first 6 months) minimum 1,000 CZK (1,200 from August 1990) Employment Act No 1/1991 Coll. (February): 60 % of previous wage for the first 3 months, 50 % for another 3 months, 70 % when in requalification programme, maximum 1.5 times the

	<p>fictive earnings, 1.8 times the fictive earnings in case of requalification, no minimum threshold (for those with no previous earnings the benefits calculated using 'fictive' earnings set at the level of a minimum pension of a single person).</p> <p><u>Decree of the Czech MLSA No 20/1991 Coll.</u>: in the case of collective dismissals 65 % of previous wage (6 months), 60 % (another 6 months) (in effect only in 1991).</p> <p><u>Act No 272/1992 Coll.</u> (from June): 'fictive earnings' set at the level of the minimum wage, maximum 1.5 times the minimum wage.</p> <p><u>1996 (January)</u>: maximum 1.5 times the living minimum for a single person, 1.8 times that level in the case of requalification (implemented with the change of the state social support Act)</p> <p><u>1998 (January)</u>: 50 % of previous wage for the first 3 months, 40 % for another 3 months, 60 % when in requalification programme.</p> <p><u>1999</u>: maximum 2.5 times the living minimum for a single person, 2.8 times that level when in requalification programme.</p> <p><u>2004 Employment Act No 435/2004 Coll.</u> (September): 50 % of previous wage for the first 3 months, 45 % for the rest of the period.</p> <p><u>2007 (January)</u>: Act No 112/2006</p> <p>Maximum: 0.58 times the average wage, 0.65 when in requalification programme, 0.12 for those who had not had earnings (for the first 3 months) and 0.11 (afterwards), 0.14 when in requalification programme.</p> <p><u>2009 (January)</u>: Act no 382/2008 Coll.</p> <p>65 % of previous wage for the first 2 months, 50 % for another 2 months and 45 % for the rest of the period.</p>
Duration of benefit	<p><u>1990</u> – 12 months</p> <p><u>1991 (January)</u>: Employment Act No 1/1991 Coll.</p> <p>6 months, 12 months in the case of collective dismissals (only in 1991).</p> <p><u>2004 (September)</u>: Employment Act No 435/2004</p> <p>6 months (- 50 years of age), 9 months (50-55), 12 months (55+).</p> <p><u>2009 (January)</u>: Act No 382/2008</p> <p>5 months (- 50 years), 8 months (50-55), 11 months (55+).</p>
Reasons for exclusion from benefit entitlement	<p><u>1991 Employment Act No 1/1991 Coll.</u> : when refusing a suitable job, the definition of which takes into account health status, respects qualification and skills, age, duration of previous employment and possibilities of accommodation, takes into account family circumstances: care for a child under 3 years or an elderly person over 80 years, enrolment of a child in pre-school or school facility.</p> <p><u>2004 Employment Act No 435/2004</u></p> <p>stricter definition of a 'suitable job': the following are only taken into account 'if possible': qualification and skills, age, duration of previous employment and possibilities of accommodation.</p> <p>The definition includes temporary jobs that last for longer than 3 months and amount to 80 % of full time job. In the case of long-term unemployed persons the job may be for even a shorter period of time than 3 months, provided it corresponds to no less than 50 % of full time.</p>
Conditionality (behavioural requirements)	<p><u>1991 Employment Act No 1/1991 Coll.</u></p> <p>cooperation with Employment Office, not refusing a suitable job.</p> <p><u>2004 Employment Act No 435/2004</u></p> <p>not refusing a suitable job, even if only a temporary job (including subsidised jobs such as public work), not refusing to undergo medical examination organised by the Employment Office, compliance with the Individual Action Plan commitments (signing IAP is voluntary).</p> <p><u>2009 Act No 382/2008</u>: not refusing individual action plan (IAP is obligatory), not refusing participation in requalification programme.</p>
Sanctions	<p><u>1991 Employment Act No 1/1991 Coll.</u></p> <p>exclusion from register for the period of 3 months – complete loss of the benefit entitlements</p> <p><u>2004 Employment Act No 435/2004</u></p> <p>exclusion from register for the period of 6 months – complete loss of the benefit entitlements</p>
Disregard	<p><u>2004 (September)</u>: Employment Act No 435/2004</p> <p>half of the minimum wage when in temporary job</p>

Table 1 Wage and benefit levels (CZK monthly and percent of the average wage), data on the minimum wage and living minimum at the end of year, average wage and unemployment benefit as yearly average

Absolute figures:

Indicator	1991	1992	1994	1996	1998	2000	2002	2003	2004	2005	2006	2007
Gross average wage	3792	4644	7004	9852	11806	13614	15866	16917	18041	18992	20219	21694
Net average wage	3087	3715	5484	7654	9228	10660	12432	13212	14036	14377	15620	17115
Minimum wage	2000	2200	2200	2500	2650	4500	5700	6200	6700	7185	7955	8000
Net minimum wage	1600	1802	1878	2187	2318	3772	4702	5080	5457	5806	6720	6760
Unemployment benefit	1562	1351	1804	2275	2320	2781	3164	3324	3562	4215	4491	4830
Living minimum for single adult	1700	1700	2160	2890	3430	3770	4100	4100	4100	4300	4420	3126 ^x
Living minimum for a couple	3050	3050	3860	5110	5960	6440	6960	6960	6960	7250	7430	5480 ^x
Living minimum for family of four [*]	5600	5600	7060	9110	10470	11160	11980	11980	11980	12400	12680	9400 ^x

Replacement rates (%)

Minimum wage (per cent of AW) - gross	52	47	31	25	23	33	36	37	37	38	38	37
Unemployment benefit (per cent of AW) - net	51	36	33	30	25	26	26	25	25	29	29	28
Minimum living standard for a single adult (per cent of net AW)	55	46	39	38	37	35	33	31	29	30	28	18
Minimum living standard for a couple (per cent of net AW)	99	82	70	67	65	60	56	53	50	50	48	32
Minimum living standard for family of four (per cent of net AW)	181	151	129	119	114	105	96	91	85	86	81	55
Net minimum wage in % of living minimum for a single adult	94	106	87	76	68	100	115	124	133	135	152	216

Sources: *Basic Indicators of Labour and Social Protection* (yearly publication), the Ministry of Labour and Social Affairs, *Bulletin No 23, RILSA 2008*. Unemployment benefit – data provided by the MLSA.

^{*} Two adults and two children 10-15 years old.

^x does not include the supplement to housing costs

Table 2: The effectiveness of social assistance in eliminating the poverty risk by SILC 2006, data from 2005

	Income of the household without social transfers below the living minimum (yearly average)	Income of the household without social assistance below the living minimum (yearly average)	Income after social assistance below the living minimum	Income after social assistance less than the EU poverty threshold (60 % median income)
Total	29.4	4.2	2.9	9,8
by gender	26.7	4.2	2.9	8,9
Men	32.1	4.2	2.9	10,7
Women				
Age				
<16	22.1	8.6	6.0	17,8
16–25	14.9	5.7	4.1	11,5
26–34	14.5	4.1	2.6	9,0
35–44	15.2	5.4	4.2	9,2
45–54	13.9	3.7	2.5	7,0
55–64	43.5	0.9	0.5	5,1
>65	84.8	0.3	0.1	5,8
type of household according to labour market status				
working-employed	10.0	1.3	1.0	3,5
Non-working – unemployed	96.4	50.4	31.9	43,7
Non-working retired	98.8	0.6	0.5	6,7
Non-working – other non-active	78.1	44.9	39.5	14,5
Type of household – type EU				
Single, under 65	33.7	6.8	4.4	16,8
Single, 65 and over	97.8	3.3	0.2	14,4
Couples, both under 65	23.0	2.2	1.7	4,9
Couple, at least one of whom is 65 or older	85.9	0.2	0.0	2,5
Other households without children	20.2	1.3	0.6	2,7
Couples with 1 child (younger than 18)	10.2	2.4	1.7	7,8
Couples with 2 children	12.3	4.5	3.2	9,8
Couples with 3 or more children	38.2	18.6	16.0	28,7
Single-parent family with child/children	46.7	22.3	14.9	40,4
Other households with children	16.1	3.3	1.5	9,2
Type of household by education				
Low level of education - both basic education	79.1	14.6	8.5	26,5
Middle level (at least one)	28.7	4.0	2.9	7,8
High level (at least one)	13.0	0.8	0.8	2,0

Source: own computations