



Czech Republic

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

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Summary

We observe no progress in strengthening the social dimension nor evidence of feeding in and feeding out in the NRP 2008-2010 compared to the implementation report from 2007 or to the NRP 2005-2008. Instead, the social dimension is slipping away from the NRP. This is apparent in the emphasis of the new NRP 2008-2010, which is put solely on economic growth, labour productivity and jobs, while assuming social exclusion to be due to the individual defects of the excluded. Second, the new document does not reflect the social risks, which are associated with the current 'social reform' aimed at stabilizing public finance and support competitiveness and job creation, combined with the coming financial and economic crisis. Third, there is almost no synergy between the NSRSPSI 2008-2010 and NRP 2008-2010 (this is evident in the absence of references to the social inclusion strand found in the NRP). The only implicit links are the similar declared priorities of the government, which organize the objectives and measures adopted in the two documents. Governance mechanisms aimed at strengthening the synergy between the NRP and the social inclusion strand in the NSRSPSI are feeble. Both documents are being treated rather as an overview of existing policies, with little effort to convert them into real strategic documents.

In the Czech Republic, after elections to Parliament in mid-2006, the centre-right coalition did change the policy priorities of the former coalition led by the Social Democrats. Although the social inclusion strand was not much accentuated in NRP 2005-2008, the trend towards abandoning it is now even more explicit in the new NRP.

The NRP 2008-2010 does address the recommendations by the Joint Employment Report 2007/2008 to some extent. However, the policy response is far from comprehensive. Rather it is focused solely on the objective of improving economic incentives. The other principle applied is the flexibility of labour contracts and labour protection, while the element of security is completely omitted. The strategy of life-long learning is only slowly being developed. No incentives for investments into labour market training were implemented for older and low-skilled workers as recommended in JER 2007/2008. We recognize also some gaps in integrating disadvantaged groups into the labour market in spite of positive labour market trends. There are some measures suggested in NRP for reconciling work and family life, as well as implementation of the strategy of active ageing; however these proposals appear to be in a rather early stage.

The NRP does not explicitly address territorial differences which affect social exclusion/inclusion; however we note that measures like investment stimuli and programmes for regions affected by unemployment exist and regional disparities have decreased significantly. The contribution of the measures of NRSPSI to growth and jobs is implicitly important because they are expected to contribute to stabilizing the public budget by reducing welfare dependency and redistribution. However, the potential contribution of the other aspects of feeding in is not reflected in the NRP. Rather it seems that the social inclusion agenda on the one hand and the strategy for growth and jobs on the other are considered to be irrelevant or even in contradiction. Very little attention is paid to issues that might strengthen the link between the two agendas, such as gender equality or anti-discrimination policies.

The assessment of the impacts of policies on social exclusion is not an important issue for policy makers - instead they are interested in saving on social expenditures. Although stakeholders like the social partners and NGOs have been formally involved in the preparation process of the NRP 2008-2010, they did not exert much influence. At the level of the regions some coordination

mechanisms exist, for example in the field of employment policies, which are more or less based on informal relationships, since legislation does not oblige the stakeholders to cooperate.

No measures or proposals are being discussed at the moment at the level of Czech national policies aimed at preventing or alleviating the potential impacts of the financial and economic crisis on poverty and social exclusion.

1. Overall Assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective

1.1 Strengthening of the social dimension and increased evidence of feeding in and feeding out since 2007 implementation report

We observe no progress in strengthening the social dimension nor evidence of feeding in and feeding out in NRP 2008-2010 compared to the implementation report from 2007 or to the NRP 2005-2008. Instead we conclude that the social dimension is slipping away from the NRP. In the new NRP 2008-2010 the emphasis is placed solely on economic growth, labour productivity and jobs. Although this document seems to follow the line of the EU renewed strategy for growth and jobs from 2005, it neglects the renewed EU social agenda from 2008.

Even in the NRP 2008-2010 we find the claim (p. 8) that: 'the NRP became better linked to other strategic documents, especially the conceptual documents in the areas of education, infrastructure development, regulatory reform and withdrawing financial resources from European Union Funds' while the link to the social inclusion strategy is not mentioned at all. Similarly, the notion of 'social inclusion' is used rarely (only once) in the document – although we acknowledge the attention paid to the relevance of ICT in health and social services as well as to the competence of the disadvantaged groups to use ICT for social inclusion. When looking at the concrete measures adopted, we see that not much attention is paid for example to the policy effort targeting vulnerable groups in the labour market.

Second, the new NRP does not reflect the social risks associated with the current 'social reform', which aims to stabilize public finances and to increase competitiveness and growth - focused reconstruction of the tax-benefit system (in the context of the growth of inflation, especially of energy and rent prices, increased costs of child raising), frozen social benefits, and steps taken in the area of pension reform that indirectly threaten the future adequacy of pensions for people in lower income brackets (due to the cumulative effect of enlarged periods of required employment record, enlarged periods from which incomes are accountable and slow-downed revaluation of living minimum to which the minimum pension is corresponding the replacement rate both of average and minimum pension is decreasing in the long-term), etc. Third, there is almost no synergy between the NSRSPSI 2008-2010 and NRP 2008-2010. The only implicit link is that both documents are underpinned with similar priorities of the government, which determine the objectives and measures adopted. Within the social inclusion strand of the NSRSPSI the corresponding priorities may be characterized as economic incentives and support of employability, which aim to increase labour market participation (the latter being little supported by concrete measures or resources).

Lastly, governance mechanisms to strengthen the synergy between the NRP and the social inclusion strand in NSRSPSI are feeble. Both documents are being treated instead as an overview of existing policies, with little effort to convert them into real strategic documents. This

approach is well evident from the absence of quantified targets and resources allocated to achieve the targets. The synergy effect in terms of feeding in and feeding out is weak - this corresponds to the poor coordination arrangements and weak competencies of the inter-ministry bodies responsible for the preparation of both documents.

In the Czech Republic, after elections to Parliament in half of 2006, the centre-right coalition changed to some extent the policy priorities of the former coalition led by Social Democrats, mainly by implementing flat-rate taxation, and a package of measures to stabilize the government budget in short- and long- run ('social reform'). These measures restrict the scope of redistribution, have introduced co-payments in health care, and aim to privatize the hospitals and reform the pension system while applying the principle of contracting out. However, although the difference is remarkable in terms of general priorities, no substantial change in the approach of NRP 2008-2010 compared to NRP 2005-2008 with respect to the social inclusion is evident: the social inclusion strand was little emphasized even before. In any case, the new NRP is more explicit in its trend towards abandoning the social inclusion strand.

1.2 Good examples of feeding in and feeding out supported by impact assessments

We do not find any good examples of feeding in or feeding out supported by the impact assessments. This does not mean that there are no positive developments in the field of social inclusion in the country (we refer to some in the sections below). Besides, the NRP 2008-2010 assessment is right when it recognises the positive impacts of economic growth and improved economic incentives (making-work-pay measures) on job creation, declining unemployment, and welfare dependency. However, the declared positive impacts of the policies on vulnerable groups in the labour market are not sufficiently documented. Sometimes the assessment is misleading. Mainly, an assessment of policy effort in terms of participation in life-long learning, vocational training and/or other labour market inclusion measures is absent. The independent evaluations which exist signal some gaps in policies with respect to vulnerable groups in the labour market (for example Kulhavý, Sirovátka 2007).

2. Assessment of the 2008-2010 NRP from the perspective of social inclusion

2.1 Overall assessment

2.1.1 Overall assessment of the extent to which the NRP and plans to address the 2008 recommendations and points to watch give attention to the social dimension

There are several country-specific recommendations and points to watch in JER 2007/2008 which are relevant from the social dimension perspective: improving flexi-curity in the labour market, efficiency and equity in education and training, increasing participation in life-long training, measures like modernisation of employment protection including legislation, improving responsiveness of training to labour market needs, and providing incentives to invest in training, particularly for older workers and the low-skilled (see Council 2008). Furthermore, several points to watch are relevant as well, such as better integration of disadvantaged groups into the labour market, reducing regional disparities, reconciling work and family life, tackling the gender pay gap and implementing an active strategy on ageing. Similarly, the social dimension is implicitly present within the proposed pension and health care reforms.

The NRP 2008-2010 does address the above recommendations to some extent, for example in policies on flexi-curity. However, the policy response is far from solid and comprehensive. Rather it is focused solely on the objectives of improving economic incentives when the strategy of making work pay is understood as a policy of restricting benefit entitlements mainly. The other principle applied is the flexibilization of labour contracts and labour protection, while the element of security (such as options for turning temporary contracts into permanent contracts, providing the right to vocational training) is completely omitted. At the general level of objectives, life-long training and vocational training are emphasized as well; nevertheless, at the level of concrete measures both the current policy response and proposed future arrangements offer limited progress. The strategy of life-long learning is only slowly being developed, although it was one of the priorities in the past NRP, and is becoming more and more needed. After adopting The Strategy of Life-long Learning in July 2007, the government has established a body which is supposed to elaborate this strategy and suggest an implementation plan for life-long learning by the end of 2008. No incentives for investments into labour market training were implemented in the case of older and low-skilled workers as recommended by JER. In the Czech Republic, participation in life-long training is only 5.6% and not increasing (while the EU-27 average is 15.5%). Among older workers it is a mere 2%, and among the low skilled a mere 0.9% (Indicators for monitoring 2008), while the share of each of these categories among the unemployed is currently over 30%.

We also see other gaps in integrating disadvantaged groups into the labour market. According to the previous NRP 2005-2008, the Individual action plans should support the labour market inclusion of disadvantaged groups of the unemployed, and the number of IAPs was to increase to 25,000 in 2006 (see NRP 2005-2008, part Employment). However, data show that since the implementation of IAPs in 2004 (with the new Employment Act) their numbers have instead dropped (to about 7,000 of IAPs in the group under 25 years - which is the main target group). According to the new legislation which comes into effect in 2009, Employment Offices have to set up an IAP after 5 months of unemployment with every unemployed person! Insufficient personnel capacities represented one of the crucial obstacles to the implementation of IAPs in the past. The application of the new plan is questionable, since this problem was not addressed (although the numbers of the unemployed have dropped). Similarly, the Employment Act of 2004 declared the right of persons with disabilities to professional rehabilitation as a comprehensive measure based on the individual plan; however, in reality it is still only a marginal measure (see data by Analysis 2008). There are some measures suggested in the NRP of reconciling work and family life, as well as implementation of the strategy of active ageing; however these proposals appear to be in an early stage.

2.1.2 To what extent does NRP address the potential impact of a slowdown in the economy and higher oil and commodity prices on people at risk of poverty and social exclusion?

It would be relevant to address not only the potential impact of the economic slowdown and higher oil and commodity prices on people at risk of poverty and social exclusion. These potential impacts would be augmented as a consequence of the tax-benefit reforms of 2007. The reforms have brought a shift from direct to indirect taxes by implementing a flat rate tax at the level 15% from gross wages, and by increasing the lower tier of VAT from 5 to 9%. Beside, the further liberalisation of rent controls has continued in 2008. Co-financing is being implemented in health care (fees for doctor visits, for visits and stays in hospital) with no exceptions for children or pensioners. At the same time the level of most family related benefits has been cut, and the legal obligation of the government to reevaluate the living minimum level was cancelled. This may have a negative impact soon, since in the first half of 2008 the inflation rate accelerated (in Sept 2008

the year-to-year inflation rate was 6.6% – see http://www.czso.cz/csu/redakce.nsf/i/mira_inflace, data by Czech statistical office). However, the NRP (similarly as NSRPSI) does not address the potential impacts of the reforms or of the expected increases in prices; meanwhile no interest about monitoring the potential impacts of the financial crises or of the reforms implemented is expressed.

2.1.3 The links between the National Reform Programme and the Social and Social Inclusion Process

The synergy between NRP and the social inclusion process is vanishing. Both documents are underpinned with similar principles and assumptions which emphasize economic growth while considering social exclusion to be due to the individual defects of the excluded and lack of incentives emerging from tax-benefit system. Second, they do not pay attention to the potential negative consequences of the new policies of ‘social reform’ which were adopted, in regard to social inclusion in general.

2.2 Feeding out

2.2.1 Employment and feeding out

Czech Republic has succeeded in achieving rapid economic growth of over 6%. Jobs have been created and unemployment has declined over the past three years. However, when assessing the measures adopted during this period and measures planned in new NRP, we conclude that the measures are not much concerned with promoting greater social inclusion.

Unlike the previous NRP, the NRP 2008-2010 pays more attention to the policies of flexi-curity; however not much has been done in this field up to now. Similarly, the new policy responses are not thorough or comprehensive. Instead they are focused solely on the objective of improving economic incentives: the strategy of making work pay is understood preferably as restricting access to and cutting benefits, mainly through negative sanctions, supplemented with some minor positive stimuli. The key measure adopted for 2008 (under the umbrella of modernization of the social protection system) was the abolishment of the legal obligation to adjust the living minimum level to keep up with inflation. The other measures adopted in September 2008 which come into effect beginning in January 2009 would entitle those unemployed longer than 5 months to the ‘existence minimum’ level only (the entitlement to the higher ‘living minimum’ would be conditioned by participation in public works).

The other important organizing principle is the flexibility of labour contracts and labour protection. However, while strong emphasis is put on flexibility, the elements of security (such as the option of turning temporary contracts into permanent contracts, and the right to labour market training) are missing in the proposals. Recently, proposals have been discussed at the level of government and Ministry of Labour and Social Affairs which aim among other things to shorten the probation period, to make termination of labour contracts easier, to shorten the notice period from two months to one, to enable the employer to terminate a contract for any reason, and to allow repeated temporary contracts.

In the Czech Republic, the EPL index is among the lowest (1.9), similar to Denmark’s (1.8) on a scale of 1-6; in only a few OECD countries is it a little lower (US, UK, CAN, AUS, JAP, Switzerland and Hungary), see (OECD 2004: 72). On the other hand, protection of permanent contracts is relatively strong, with consequences for labour market segmentation. This calls for a combination of some flexibilization of permanent contracts with increased security for temporary

and part-time contracts, including measures which improve employability. Such options are not considered in NRP 2008-2010.

Job creation has improved in recent years along with rapid economic growth. The measures of the NRP aim to support job creation mainly by cutting taxes and social insurance contributions, and by reducing the administrative burden of SMEs. However, the target of job creation among vulnerable groups in the labour market represents a weakness, and no measures to overcome this defect are suggested in NRP. The share of people participating in labour market measures among the unemployed has increased between 2005 and 2007 relatively sharply - from 19.2 % to 38.5 %. This was in a large degree due to measures financed from the ESF. Because of this gain in 'quantity', the options for vulnerable groups to profit from job creation also improved. However, when we assess the targeting of job creation measures and measures supporting employability of the most vulnerable groups, we see that these groups are still heavily underrepresented among the participants. For example, the targeting index (the ratio of the share of a specific group among the participants in vocational training compared to the share of this group among the unemployed, where the average value is 1.00), among the unemployed with basic education or less was 0.49, among persons with disabilities 0.56, among the long-term unemployed (over 12 months) 0.59, among the unemployed older than 50 years 0.63, in 2007 (own calculations based on data by MLSA). The objectives that the Public Employment Services outlines every year with respect to the targeting of the active labour market measures do not include all vulnerable groups, nor does their share in ALMP measures required match their corresponding share in the number of unemployed (see Analýza 2008). Hence while the unemployment rate dropped significantly, the share of people of vulnerable groups in the unemployment statistics increased (for example the share of the persons with disabilities rose to 20%, of older workers to 32 %), while the share of long-term unemployed decreased only from 40% to 38%.

Working poverty in the Czech Republic is currently the lowest in the EU, and this is probably why this problem is not addressed explicitly in the NRP 2008-2010. The measures of the NRP to ensure adequate income from work consist of reducing of taxation and social contributions (cutting sickness insurance contributions, imposing ceilings on social insurance, and other measures). Positive incentives have been provided since 2007 for the low-income unemployed in the form of bonuses, and some new incentives will be provided starting in 2009 for those welfare claimants willing to participate in public works programmes.

NRP 2008-2010 includes some new measures aimed at reconciliation of work and family life. Since 2008, the option has been provided of three levels of parental benefit; benefits increase with shorter utilization. The pro-family package (which is now – October - only in stage of proposal) focuses on the possibilities for reconciling work and family by making more flexible opening hours for day-care, by support for mutual parental aid in childcare, and by supporting the role of private care (as entrepreneurial activity). On the other hand the government obviously does not intend to increase the number of the public day-care facilities, which in recent years have become less accessible for parents since some of them have been closed: in 1999 fertility rate dropped to the minimum (1.13) and since it is increasing - to 1.18 in 2002, 1.23 in 2004 and 1.44 in 2007: this is by 22 per cent between 2002 and 2007, while the number of kindergarten dropped from 5,552 in school year 2002/3 to 4,808 in school year 2007/8 (although the number of children enrolled increased from 271,153 to 288,634, this is by 6 per cent) (Statistická 2008). At the same time, the number of nurseries dropped from 60 to 49 between 2002 and 2007 and children enrolled from 1,770 to 1,578 (Zdravotnická 2003, 2008).

Besides, the Czech Republic explicitly refuses (in contrast to the recommendations of the EC) to support institutional child care for children below 3 years, which almost disappeared during nineties. Other measures are preferred (individual child care), based on argument that it is of better quality when compared to collective child care and thus in interest of a child. Thus, the gender employment gap of women with children 0-6 is the largest in the EU, at a level of 40.5 % in 2006 (see Indicators for monitoring 2008: 54): this can be of course explained to great extent by the longest parental leave in the EU. However, there is also clear evidence that the risks of unemployment among women when re-entering the labour market after parental leave are also greater: when comparing women with children 4-7 years old, these risks by data of LFS 2004 were twice as high than with men with children 4-7 (Sirovátka, Kulhavý 2006).

Inclusion of older workers into the labour market and the challenge of active ageing is somewhat responded to in NRP 2008-2010. As part of the the first step of pension reform in 2007, the possibility to combine on partial pension and part-time work, which allows for increases in full pension, was provided. The government adopted the National Programme on Preparations for Ageing for 2008-2012 in January 2008. It emphasizes among other things the principle of active ageing, life-long learning, and development of social services for elderly. The government adopted the Strategy of Life-long Learning in July 2007 and the implementation plan should be ready by the end of 2008. However, we assess progress in this field to be rather slow because of the lack of any concrete measures implemented.

SMEs and their support represent one of the priorities of the government. Several measures have been accepted and implemented which aim to eliminate the administrative burden faced by SMEs: in July 2007 a programme was adopted for reducing the administrative burdens on entrepreneurs by 20% by 2010 (and extended further in April 2008 in six ministries where the burden is the greatest). In August 2007 the general principles for Regulatory Impact Assessment were adopted, and were applied in November 2007. The number of self-employed and entrepreneurs in the Czech Republic was at a level of 16.1% of the labour force in mid-2008. Implicitly, support for SMEPs and the self-employment represents a good opportunity for those distant from the labour market, since they are often discriminated against by employers. However, the NRP does not pay much attention to this aspect, and no special arrangements are adopted for those groups.

2.2.2 Economic growth, financial sustainability, and feeding out

Economic growth, financial sustainability, and stabilization of public finances represent the key priorities of the NRP 2008-2010. The strategy as a whole is not concerned with social cohesion and social inclusion. 'Modernization' of social protection is understood rather as rolling back the welfare state. Although declarations about shifts towards more 'active' expenditure appear in the NRP, in fact these expenditures did not increase, and universities for example are facing decreasing government contributions per student since 2006 (with the same prospects for 2009), as well as a decreasing share of expenditures on tertiary education in GDP (Respekt 2008). The reforms mainly cut entitlements to social assistance and unemployment benefits, decreased the scope of solidarity within social insurance schemes (including plans of opting-out), and aim to restrict government expenditures in education and health care.

The potential negative social impacts of changes in fiscal policies, liberalization of services and prices of rental housing, co-financing in health care, the increase of energy prices and inflation are not addressed. In fact, from the perspective of the current strategy of NRP they are implicitly considered as desirable because of their disciplining impact on the socially excluded. The NRP does not explicitly address territorial differences which affect social exclusion/inclusion; however

we notice that the measures like investment stimuli and programmes for regions affected by unemployment are distributed disproportionately, and active labour market measures are channeled preferentially to particular regions. Regional disparities have decreased significantly in recent years thanks to these measures and to economic growth. The NRP does not address the financial inclusion of people at risk of poverty or their access to housing. However, in concrete policymaking some measures are present which aim to improve the situation in this respect among the socially excluded Roma communities: field work programmes with families in these communities are run both by NGOs and state administration (projects are supported by ESF), where the prevention and alleviation of over-indebtedness is among the key priorities. In addition, some municipalities have started to implement several programmes to improve access and quality of housing in excluded communities (in Brno and elsewhere). These initiatives are gaining more and more opportunities thanks to the recently established pilot programme of the Agency for Social Inclusion in Roma communities. Such initiatives may serve as examples of good practice, and have a certain chance to expand: government officials are now referring (October 25) in the media to a new plan to devote about 14 billions CZK for improving access to and quality of housing in excluded Roma communities throughout the country.

2.3 Feeding in

The NRP 2008-2010 does not take into consideration the contribution of the measures of NRSPSI to growth and jobs, since the Czech strategy on growth and jobs is little coordinated with the social inclusion strand. However, there is an implicit link between these strategies. This link lies in the focus of both documents on policies of activation and on increasing labour market participation (which aim at the margins of the labour market). From the standpoint of the NRP these policies are important because they are expected to contribute to stabilizing the public budget, both by restricting social expenditures in the short-term, and by increasing the numbers of the economically active in the long-term. Both documents are also in harmony concerning measures on how to 'activate' people (by addressing lack of motivation, individual responsibility and skills).

The potential contribution of the other aspects of feeding in is not much reflected in NRP. Instead it seems that the social inclusion agenda on the one hand and the strategy for growth and jobs on the other are considered to be somewhat incompatible. Very little attention is paid to issues which might strengthen the link between the two agendas, such as gender equality or anti-discrimination policies, for these are seen as unimportant. Although the education policies, for example, do include specific programmes addressing access of Roma children to education and special education programmes on gender equality, their importance for growth and jobs is not reflected at all in the NRP, and such measures do not represent the mainstream. The Czech Republic has not adopted the Anti-discrimination Act (the only EU country not to) due to the veto by the President in summer 2008. The Parliament has delayed final voting on this Act until after elections to regional governments and to the Senate (end of October 2008). Some important issues for the social inclusion strand with potential impact on feeding in, like child and family poverty, are completely omitted in the NRP. Interesting is that although NSRSPSI mentions support for the social economy with the help of ESF (although without specifying the measures), the NRP is not interested in this issue at all. One may expect that NRP could further develop measures for supporting social economy in the section Employment if the documents were coordinated better.

2.4 Governance

The governance arrangements of the 2008-2010 NRP and NSRSPSI 2008-2010 represent a weakness: in fact they do not enable effective coordination of the two documents. However, weak coordination is not the key issue, but rather the consequence of low political commitment and the weak position of both the above-mentioned strategies in policy making in the Czech Republic. The NRP and NSRSPSI are being deliberately designed as documents without strong obligations and quantitative targets, mirroring the existing policies and priorities of the political actors while using the appropriate language codes of the European strategy for growth and jobs (or social inclusion agenda) in order to demonstrate some degree of adjustment to the OMC guidelines.

2.4.1 *Monitoring and assessment*

The monitoring and assessment arrangements of the impact on economic and employment policies on social inclusion and social protection policies in regard to economic and employment growth are not systematic. The assessment of impacts of the policies on social exclusion is not an important issue for policy makers. Likewise, the impact of social inclusion/social protection policies on economic and employment growth is taken into consideration more with respect to the objective of stabilizing the budget, and restricting redistribution and non-productive investments.

Some independent research exists (academic research at universities, the Czech Academy of Science, applied research at the Institute of Labour and Social Affairs, surveys by the Czech Statistical Office and analyses of the NGOs) which tackles some of the specific topics highly relevant to assessment of the mutual links between economic and employment policies and social inclusion and social inclusion/social protection policies. Data by EU-SILC as well as EU indicators on social inclusion also represent an important source of information. Unfortunately, NRP 2008-2010 makes little use of these sources, since it is not much interested in feeding out and feeding in perspectives. The monitoring of the policies by responsible ministries is an underdeveloped area for several reasons: lack of political demand for assessment, vague policy objectives, and lack of experience at least.

2.4.2 *Involvement of stakeholders*

At the national level, stakeholders like the social partners and the NGOs, including those that work with people with direct experience of poverty and social exclusion, have been formally involved in the preparation process of the NRP 2008-2010 as members of the group responsible for its preparations. On the other hand they have had not much influence: for example although trade unions have opposed the NRP proposal because they reject government's reforms on which the NRP is based (see NRP 2008-2010: 11), this did not change anything.

At the level of the regions some coordination mechanisms exist; for example in the field of employment and other related policies, which tend to be based on informal relationships, since legislation does not oblige the stakeholders to cooperate in this field. Nevertheless, so-called Regional boards for human resources development have been established in regions, and examples of good practice exist in regard to cooperation in development of employment policies or other issues in partnership with the interested stakeholders. For example in the Moravskoslezsky region it is the initiative 'Self-learning region', but the above-mentioned boards also perform well in some other regions like Ustecky or Pardubicky.

2.4.3 Coordination

The coordination process of the 2008-2010 NRP and NSRSPSI 2008-2010 was not well arranged. In both cases, the inter-ministry bodies were given responsibility to develop the documents required by the EC, but they were not endowed with the competencies to make strategy decisions. This represents probably the main obstacle to synergy between the two documents, since coordination of the preparation process itself cannot much change the 'marginal' role of the two strategic papers.

The position of the Horizontal working group for NRP may be the more prominent one, since it is established at the Government Office, and the Deputy of Prime Minister for European Affairs is responsible for developing the NRP, while the Commission on Preparation NSRSPSI is established within the Ministry of Labour and Social Affairs. The representatives of both commissions are delegated to participate at the meetings of the other commission/group, but there is no mechanism to coordinate these documents in terms of feeding out and feeding in. For example, we could expect the commissions to exchange suggestions and recommendations to be developed by the other commission in the relevant document. Similarly, the commissions might organise common meetings to discuss common priorities and mutual links between the two documents.

3. Changes in key social indicators

In the Czech Republic, the incidence of poverty and social exclusion is below the EU average, and recent years have brought improvements in unemployment, long-term unemployment, and joblessness in families. What is currently apparent as a problem is the rather high degree of concentration of the risks of poverty and joblessness within some vulnerable groups.

The Common indicators on social inclusion from 2008 (overarching and context indicators) show that the economic context of the Czech Republic has been increasingly favourable in the past three years: economic growth was consistently over 6 % during 2005-2007 (dropping to about 4.5% in the first half of 2008). This development allowed a reduction of the budget deficit from 3.58% GDP in 2005 to 2.67% in 2006 and 0.99 % in 2007. Similarly, economic growth has contributed to job creation, although with some delay: while there were still 9.8 unemployed per one job vacancy registered at the Public Employment Service by the end of 2005, this ratio dropped to only 2.5 by the end of 2007, and remains approximately at this level in September 2008 (2.3). Consequently we have documented a remarkable drop in unemployment rates between 2005-2007. Registered unemployment has decreased from 8.9 % at the end of 2005 to 6.0 % by the end of 2007 (and at 5.3% in September 2008). Similarly, the unemployment rate according to LFS data dropped from 8.9 to 5.3 % between 2004-2007 (yearly average), while the youth unemployment rate decreased from 21% to 10.7 %, and the long-term unemployment rate dropped from 4.2% to 2.8 %. This positive development continues in 2008 – by the end of 2007 the unemployment rate by LFS was 4.8; in mid-2008 it was 4.2%, while the long-term unemployment rate dropped to 2.2 %. This trend was underpinned not only by fast economic growth, but also by improved work incentives (both negative sanctions and positive 'activating' stimuli were introduced into the benefit systems during 2006-2008), and finally thanks to increased scope of labour market measures implemented with support of European social fund.

Correspondingly, the employment rate increased between 2004-2007 from 64.2% to 66.1%. The female employment rate increased from 56% to 57.3 %, and the older workers employment rate from 42.7% to 46 % (although below the EU target it is above EU average). At the same time the number of adult people living in jobless households dropped from 8% to 6.5 %, and the number of

children in jobless households dropped from 9% to 7.9 % (about half of them are children living in incomplete families), again below EU average. However, unemployment and long-term unemployment is strongly concentrated within vulnerable groups, such as people with only a basic education (among whom the unemployment rate in mid- 2008 was 18%), the persons with disabilities (specific unemployment rate in mid-2008 was 21%; own calculations base on LFS data by ČSU 2008), and Roma living in excluded communities (findings by Gabal et al. 2006: 27) report on about 310 communities with 60-80 thousand people altogether, where the unemployment rate is often around 90 % or even more. In recent years (with the continuously increasing legal retirement age), unemployment among older workers has become a problem. Currently (mid-2008) they represent more than 30% of the unemployed (more than 95 thousand of the registered unemployed). At the same time the share of early retirees remains relative high (about one third of the new retirees) since 2002. Although it has dropped significantly from 58% in 2001 after adoption of stricter penalty on early exit, it is still slightly higher than it was in 1997 before it has risen in parallel with rising unemployment rate (data by MLSA).

Unemployment traps measures by - Average Effective Tax Rate indicator – do not represent major problem in the Czech Republic (these range between 60 to 80 % depending on the type of household), and are less pronounced than in Hungary or Poland, while the Czech Republic ranks among the countries with relatively modest unemployment and low wage traps (Common 2008). In recent years the level of the living minimum lagged behind the increase in wages, while making-work-pay measures have been implemented; for that reason unemployment traps have diminished. However, issue of incentives and cuts of social benefits seem to be the core of the 'activation' strategy and labour market inclusion.

It is not easy to assess how the positive developments in the labour market have affected the indicators of poverty and social exclusion. If we compare data by Microcensus 2002 and SILC 2006 , we see that the at-risk-of-poverty rate increased from 8 to 10%, the at-risk-of-poverty rate among children 0-17 from 14.4% to 16 %, the at-risk-of-poverty rate among incomplete families with children increased from 30% to 41 %, and poverty within large families (3 and more children) from 20% to 30% (comparison based on data by SILC 2006 with data by Microcensus 2002, see NSRSPSI 2006-2008).

However, data on income inequality does not display much change – Gini remains among the lowest in the EU (0.25), as does the quintile ratio S80/S20 (3.4). The at-risk-of-poverty rate of employed households is in fact consistently the lowest in the EU constantly (3%). These figures indicate that the relative position of low income brackets has worsened mainly in those cases that are dependent on social assistance. When comparing the net income of social assistance recipients to the poverty threshold in the country in 2006, we see that it is 0.6 for singles, and 0.8 for families with children (Common 2008). These findings place Czech Republic closer to the cluster of countries that provide lower levels of social assistance. Data by SILC 2006 (income situation by 2005) do not yet reflect the positive changes in unemployment during 2005 – 2007, and it is possible that declining numbers of unemployed during 2006-2008 have brought less poverty, since 36 % of the poor in the country in 2005 were people living in 'unemployed households'. On the other hand we see that the number of people living in jobless households diminished only slightly. Although we observe very low (and decreasing) figures of early school dropouts, we also notice the disadvantages of Roma children in getting access to education. Second, the living minimum was last revised in 2006, and the changes implemented in 2007 have diminished its value relative to wages. This is mainly due to the fact that the costs of housing are not included now in living minimum but these are covered separately by municipalities. However, in the long-term the replacement rates of the total social assistance payments compared to salaries are decreasing. At the same time the level of family related benefits like child benefits

and other has decreased as well, except parental benefits which were increased in 2006. On the other hand there are some in-work bonuses available since 2007 which more than compensate the working poor for the loss of family-related benefits. In this context we judge that data by SILC 2006 approximate quite well the trend of increasing risks of poverty even in years 2007-2008, and that the process of concentration of these risks among families with children and in jobless households continues. On the top of that we also note signs of increasing material deprivation of low income families: due to deregulation of rents and increasing prices of energies (both expected to accelerate in 2008-2010), the share of housing costs in the total expenditures of families with income less than 1.4 times the living minimum increased slightly over time (amounting to 26.3 % in 2007; data by ČSÚ 2008b).

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