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Main Features of the Public Employment Service in the Czech Republic

Daniela Kalužná

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OECD SOCIAL, EMPLOYMENT AND MIGRATION PAPERS NO. 74

Daniela Kalužná				
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MAIN FEATURES OF THE PUBLIC EMPLOYMENT SERVICE IN THE CZECH REPUBLIC

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#### **SUMMARY**

The Czech Public Employment Service (PES) with more or less its current form was established in 1991 when the Czech and Slovak Federal Republic commenced transition to a market economy. Labour offices, in addition to providing placement and related services, manage jobseeker retraining and subsidies for job creation, administer unemployment insurance benefits, and provide guidance for the employment of foreign labour in the Czech Republic and for Czech nationals working abroad. They monitor and enforce compliance of employers with employment legislation: in 2005 some responsibilities were transferred to the newly-created National Labour Inspectorate but labour offices remain responsible in the areas of undeclared work and the conclusion of employment contracts. In 2004 the administration of state social support benefits (*i.e.* mainly child allowances, parental allowances and housing benefits, some but not all of them being means-tested) was, except in Prague, transferred from municipalities to the local labour offices.

The Employment Service Administration at national level is part of the organisational structure of the Ministry of Labour and Social Affairs. At local level, it manages the 77 district labour offices: 14 of these, so-called "authorized" labour offices, act as an intermediary between the Ministry and the other district labour offices in their region. The 77 labour offices operate 167 detached workplaces (some of which only serve as first contact points for state social support benefits) and 8 branch offices in Prague.

Not counting staff working on general management and administration, over 35% of labour office staff now work on the administration of state social support benefits and foreign employment. Another 20% work on controlling/legal issues, labour market monitoring/analysis and unemployment insurance administration, and nearly 45% on placement, counselling, medical assessment and (labour market) programme administration. In June 2007 there were about 1 800 placement and counselling officers, representing about one front-line worker for every 200 registered jobseekers.

Employers have been legally obliged to notify vacancies since 1991, and in 2006 the government made failure to notify them a legal offence for which the employer can be fined up to CZK 0.5 million. The stock of registered vacancies has risen rapidly in recent years, reaching 140 000 (3.5% of total dependent employment) in December 2007. However, unfilled vacancies are not automatically de-registered and when administrative checks are carried out it is found that a significant proportion of them are no longer valid. Also, some vacancies are left unfilled by employers because permission to hire a foreign worker is only granted after three months, and these vacancies are typically not useable for placement work.

About 100 000 people per year are recorded as being placed in work with the assistance of the PES. This represents about 14% of all hires in the economy and 25% of all flows from registered unemployment into employment. However, placements with the assistance of the PES are only recorded when jobseekers provide documentation of the start of their new job, and they often fail to do this. Prague Labour Office recorded about 16% of jobseeker exits to employment in 2006 as placements with the assistance of the PES, but it estimated that the true figure was nearly 50%.

In 1992 the maximum duration of unemployment insurance (UI) benefits was reduced to six months and in 1998 the initial replacement rate was reduced from 60% to 50%. The proportion of registered jobseekers receiving UI fell below 30% for the first time in 2005. Availability-for-work requirements apply

to all PES registrants, with de-registration leading to loss of benefit in the case of UI recipients. The requirements are fairly strict, although jobseekers cannot be required to relocate to take up work and in the first months of unemployment the definition of a suitable job takes into account the jobseeker's educational attainment and previous employment. In standard cases, jobseekers must report to their labour office every four weeks. Referrals to vacancies are actively managed, with jobseekers being given a referral card and obliged to apply for the job within a predetermined time limit; and actions that tend to thwart the take-up of work are assimilated to refusal of work. Nevertheless, some observers regard the enforcement of the rules as rather weak.

Spending on social assistance benefits grew very rapidly in the late 1990s and since 2000 the number of social assistance benefit recipients (individuals or family units) has been about 50% higher than the number of unemployment insurance recipients. Well over half of the individuals on social assistance are considered employable, so there are probably now more unemployed people supported by social assistance than by unemployment insurance.

Social assistance is nationally financed, but its delivery is devolved to 484 authorised offices managed by the Czech Republic's 6 249 municipalities. These offices had 1 949 staff (in full-time equivalents) in 2006, including both benefit administration staff and other types of social worker.

The standard rate of benefit, which is defined in terms of income after housing costs, is called the "living minimum". In January 2007 a lower rate called the "existence minimum" was introduced. In principle, individuals who fail to be active in legally-defined ways, such as registering with the PES and providing proof of job search, are only eligible for the existence minimum. It seems possible that in practice key activity requirements including the requirement to register with the PES are only enforced after a certain number of months, e.g. when an individual action plan is established. Since January 2008, the benefit rate falls automatically to the existence minimum level for a person who has not been in work for more than 12 months, and is increased when the person is registered with the PES. The 2007 reform also made the state housing allowance, which previously was calculated taking into account only the claimant's family circumstances and level of income, was made dependent also upon the level of real and reasonable housing costs: no allowance should be granted if the person refuses cheaper appropriate housing offered by his or her municipality. However, municipalities have been reluctant to implement the new allowance on grounds of its increased complexity and administrative burden, also claiming that they have no cheaper housing available. Towards the end of 2007 the national government floated a proposal to merge the administration of social assistance with the labour offices to create a new National Office for Employment and Social Administration, but this was withdrawn due to protests from the municipalities and their associations.

Social assistance beneficiaries who have been registered with the PES for more than 12 months may be referred by the labour office to a public works programme. From January 2007 the development of individual action plans by municipal social workers became mandatory after six months, although at the time of the author's visits in November 2007 municipal social workers still had little experience with it. In March 2008 further changes to enhance the activation character of the system were announced, including the scheduling of the individual action plan after five months and a requirement to undertake voluntary work for at least 20 hours per month after six months on social assistance.

Probably related to recent reforms (the 2007 reform of social assistance was already agreed by government in July 2005), numbers of UI recipients and social assistance recipients both fell by about 30% between 2003 and 2006; due to the drive to oblige more social assistance recipients to register with their local labour office, the fall in the number of registered jobseekers has been smaller.

#### RÉSUMÉ

Le Service public tchèque de l'emploi (SPE) a été créé en 1991, plus ou moins sous sa forme actuelle, lorsque les Républiques fédérales slovaque et tchèque ont entamé leur transition vers l'économie de marché. Les bureaux de l'emploi, outre qu'ils assurent des services de placement et les services apparentés, gèrent la reconversion des demandeurs d'emploi et les subventions à la création d'emplois, administrent les prestations d'assurance chômage, et dispensent des conseils concernant l'emploi de main-d'œuvre étrangère dans la République tchèque et conseillent les ressortissants tchèques partant travailler à l'étranger. Ces bureaux suivent la législation du travail et s'assurent que les employeurs la respectent : en 2005, certaines de leurs attributions ont été transférées au nouveau Service national d'inspection du travail mais le travail clandestin et l'établissement des contrats de travail demeurent de leur responsabilité. En 2004, l'administration du soutien social de l'État (c'est-à-dire principalement les allocations pour enfant à charge, les allocations parentales et les allocations logement, dont certaines sont soumises à des conditions de ressources) a été transférée des municipalités aux bureaux de l'emploi locaux, sauf à Prague.

L'Administration du service de l'emploi à l'échelle nationale fait partie de la structure organisationnelle du Ministère du travail et des affaires sociales. À l'échelle locale, elle gère 77 bureaux de l'emploi de district : 14 d'entre eux, dits bureaux de l'emploi « agréés », agissent en qualité d'intermédiaires entre le Ministère et les autres bureaux de district dans leur région. Les 77 bureaux de l'emploi administrent 167 antennes emploi distinctes (dont certaines servent uniquement de premier point de contact pour le versement du soutien social de l'État) et 8 bureaux de secteur à Prague.

Sans compter le personnel affecté aux activités générales de gestion et d'administration, plus de 35 % les agents des bureaux de l'emploi ont à présent pour tâche d'administrer les prestations de soutien social de l'État et l'emploi de main-d'œuvre étrangère. Ils sont 20 % à s'occuper de vérifications / questions juridiques, du suivi/de l'analyse du marché du travail et de l'administration de l'assurance chômage, et près de 45 % à se consacrer au placement, au conseil, aux examens médicaux et à l'administration des programmes (du marché du travail). En juin 2007, les conseillers en placement étaient au nombre de 1 800 environ, ce qui représentait près d'un interlocuteur direct pour 200 demandeurs d'emploi inscrits.

Depuis 1991, les employeurs sont légalement tenus de notifier les avis de vacances d'emploi et en 2006 le gouvernement a décidé que tout manquement à cette obligation constituait une infraction de l'employeur, passible d'une amende d'un montant allant jusqu'à 0.5 million de CZK. L'offre de vacances d'emploi s'est rapidement accrue ces dernières années, atteignant 140 000 avis (3.5 % du nombre total d'emplois salariés) en décembre 2007. Toutefois, les vacances non pourvues ne sont pas automatiquement éliminées des listes et au moment où les vérifications administratives sont effectuées, on constate qu'une proportion non négligeable de ces vacances n'est plus valide. Par ailleurs, les employeurs parfois ne satisfont pas certaines vacances d'emploi car l'autorisation d'embaucher un travailleur étranger n'est accordée que lorsqu'un avis de vacance a trois mois, et en règle générale ces vacances ne peuvent être utilisées par les bureaux de l'emploi.

D'après les statistiques, environ 100 000 personnes par an sont placées grâce à l'aide du SPE. Ce chiffre représente environ 14 % de toutes les embauches dans le pays et 25 % de la totalité des sorties de chômage déclarées. Or, les placements effectués avec l'aide du SPE ne sont comptabilisés que lorsque les demandeurs d'emploi fournissent le justificatif de leur nouvelle activité professionnelle, ce qu'ils omettent souvent de faire. Selon les registres du bureau de l'emploi de Prague, 16 % de demandeurs d'emploi ont trouvé du travail avec l'aide du SPE en 2006, mais selon ses estimations le chiffre serait en réalité proche de 50 %.

En 1992, la durée maximum de versement des prestations d'assurance chômage a été réduite à six mois et en 1998 le taux initial de remplacement a été abaissé de 60 à 50%. La proportion indemnisée parmi les demandeurs d'emploi inscrits est passé en-dessous de 30 % pour la première fois en 2005. La disponibilité pour travailler est une condition qui s'applique à toutes les personnes inscrites au SPE, la radiation entraînant la perte des prestations dans le cas des bénéficiaires de l'assurance chômage. Les exigences sont assez strictes ; toutefois, les demandeurs d'emploi ne sont pas tenus de déménager pour accepter un emploi et, dans les premiers mois de chômage, la définition d'un emploi adapté tient compte du niveau de formation du demandeur et de l'emploi qu'il occupait précédemment. Habituellement, les demandeurs d'emploi sont tenus de se présenter à leur bureau de l'emploi toutes les quatre semaines. L'orientation vers les emplois vacants fait l'objet d'une gestion rigoureuse puisque les demandeurs d'emploi reçoivent une carte de transmission et sont obligés de poser leur candidature dans un délai prédéterminé ; tout agissement qui vise à empêcher l'acceptation du travail proposé est assimilé à un refus de l'emploi. Néanmoins, certains observateurs considèrent que le règlement est appliqué assez mollement.

Les dépenses d'aide sociale ont augmenté à un rythme très rapide à la fin des années 90 et depuis 2000 le nombre des bénéficiaires de cette aide (personnes ou unités familiales) est de 50 % environ supérieur à celui des bénéficiaires de l'assurance chômage. On considère que bien plus de la moitié des personnes bénéficiant de l'aide sociale sont employables, de sorte qu'à présent l'aide sociale finance probablement plus de chômeurs que ne le fait l'assurance chômage.

L'aide sociale est financée par l'Etat mais sa prestation est déléguée à 484 bureaux agréés, gérés par les 6 249 municipalités de la République tchèque. En 2006, ces bureaux comptaient un effectif de 1 949 agents (en équivalent temps plein) comprenant aussi bien les personnes chargées d'administrer les prestations que les autres catégories de travailleurs sociaux.

Le taux standard de prestation, qui est défini par rapport au revenu hors dépenses de logement, est appelé le « revenu minimum vital ». Un taux plus faible appelé le « revenu minimum d'existence » a été mis en place en janvier 2007. En principe, les personnes qui ne sont pas des demandeurs actifs tels que la loi l'entend - si, par exemple, ils ne s'inscrivent pas au SPE et ne fournissent pas la preuve de leur recherche d'emploi - sont admises uniquement au bénéfice du revenu minimum d'existence. Il semble possible qu'en pratique les conditions essentielles exigées, comme la nécessité de s'inscrire au SPE, ne soient appliquées qu'au bout d'un certain nombre de mois, c'est-à-dire quand un projet personnalisé d'accès à l'emploi a été établi. Depuis janvier 2008, le taux de prestation passe automatiquement au revenu minimum d'existence si la personne n'a pas travaillé pendant plus de 12 mois et il est relevé si elle est inscrite au SPE. En vertu de la réforme de 2007, l'allocation logement versée par l'État, dont le calcul auparavant tenait compte uniquement de la situation familiale et du niveau de revenu du demandeur, est également subordonnée au niveau de dépenses réelles et raisonnables au titre du logement : aucune allocation ne doit être accordée si la personne refuse un logement approprié moins cher proposé par sa municipalité. Toutefois, les municipalités ont répugné à mettre en œuvre ce nouveau dispositif au motif qu'il accentue la complexité de leur tâche et la charge administrative et aussi parce qu'elles estiment ne pas disposer de logements meilleur marché. Vers la fin de 2007, le gouvernement national a envisagé de fusionner l'administration de l'aide sociale et les bureaux de l'emploi en vue de créer un nouvel Office national chargé d'administrer les questions d'emploi et sociales ; cette proposition a cependant été retirée en raison des protestations émises par les municipalités et leurs associations.

Les bénéficiaires de l'aide sociale qui sont inscrits au SPE pendant plus de 12 mois peuvent être orientés par le bureau de l'emploi vers un programme de travaux d'intérêt public. Depuis janvier 2007, les travailleurs sociaux municipaux sont tenus d'élaborer des projets personnalisés au bout de six mois, mais au moment de la mission sur place de l'auteur, en novembre 2007, ils n'avaient pas encore beaucoup d'expérience dans ce domaine. En mars 2008, de nouveaux changements ont été annoncés afin de renforcer

la nature active du système : établissement d'un projet personnalisé au bout de cinq mois et obligation d'entreprendre un travail bénévole pendant au moins 20 heures par mois après six mois d'aide sociale.

Probablement en rapport avec les récentes réformes (la réforme de 2007 de l'aide sociale était déjà approuvée par le gouvernement en juillet 2005), le nombre des chômeurs indemnisés et celui des bénéficiaires de l'aide sociale ont tous deux diminué d'environ 30 % entre 2003 et 2006 ; dans la mesure où un plus grand nombre de bénéficiaires de l'aide sociale ont été obligés de s'inscrire dans leurs antennes locales de l'emploi, la baisse du nombre de demandeurs d'emploi inscrits a été plus faible.

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# **GLOSSARY**

CZK	Czech koruna	Česká koruna
ESA	<b>Employment Services Administration</b>	Správa služeb zaměstnanosti
ESF	European Social Fund	Evropský sociální fond
IAP	Individual Action Plan	Individuální akční plán
IT	Information technology	Informační technologie
MLSA	Ministry of Labour, Social Affairs	Ministerstvo práce a sociálních věcí
RILSA	Research Institute for Labour and Social Affairs	Výskumní ústav práce a sociálních věcí
PES	Public Employment Service	Veřejné služby zaměstnanosti
SEOR	Research institute that operates independently under the umbrella of the Erasmus University Rotterdam	Výskumní ústav, který působí pod záštitou Erasmus University Rotterdam

#### MAIN FEATURES OF THE PES IN THE CZECH REPUBLIC

#### Introduction

- 1. This report documents the main features of the Public Employment Service (PES) in the Czech Republic. It focuses on contacts with jobseekers, benefit eligibility criteria and their enforcement, and referrals of jobseekers to vacancies and labour market programmes. These are all key elements in activation policies.
- 2. A first section describes the institutional structure of the PES and estimates the level of public expenditure on this function. A second section provides data about the PES workload. The third section describes unemployment insurance benefits, and a fourth section describes social assistance benefits.

#### 1. Institutions

# A short history of the institutional framework

- 3. The Czech PES with more or less its current form and functions was established in 1991, when the Czech and Slovak Federal Republic commenced transition to a market economy. In December 1990 the federal parliament adopted legislation regulating PES institutions and their functions. After their separation in January 1993, the two republics took over this legislative framework which, with some amendments, applied in the Czech Republic until 2004. By contrast, the PES in the Slovak Republic went through a number of changes in terms of institutions and way of financing.
- 4. A network of district labour offices was created, which reported directly to the respective ministry in each republic. They provided placement and related services, retraining of jobseekers, subsidies for job creation, and the administration of unemployment insurance benefits.<sup>2</sup> In addition to these functions, the labour offices monitored and enforced the compliance of employers with employment legislation. In 2005, some of their responsibilities for the supervision of employment relationships were transferred to the newly-created National Labour Inspectorate.
- 5. At central level, under the 1991 legislation state employment policy was managed by the Federal Ministry of Labour and Social Affairs and the ministries of the two republics. However in 1994 the Czech Republic changed its structures. The labour market department of the Ministry of Labour and Social Affairs was abolished and replaced by the Employment Service Administration (ESA), although this remained part of the organisational structure of the Ministry. The ESA Director General reports directly to the Minister. In early 2000s, the Ministry was considering the separation of the ESA and its transformation into a fund administering resources for both passive and active employment policies (Kotrusová, 2002) but

<sup>1.</sup> Act No. 1/1991 Coll. on Employment (federal level) and Act No. 9/1991 Coll. on Employment and on the scope of authority of employment bodies in the Czech Republic (republic level). Both entered into force on 1<sup>st</sup> January 1991.

<sup>2.</sup> At that time called "material security of jobseekers" (in Czech: hmotné zabezpečení uchazečů o zaměstnání).

the ESA has remained part of the Ministry until now. In 2007 the government again outlined the characteristics of a possible future joint employment and social security administration (Box 1).

#### Box 1. The intended merger of labour offices and social administration agencies

In the framework of the complex social reforms that are currently under way in the Czech Republic, and encouraged by some expert recommendations (e.g. the World Bank), the Government intended to undertake an institutional reform aimed at merging public employment services with social administration into a new institution, the National Office for Employment and Social Administration. At the local level, the services were to be delivered by district offices for employment and social administration, which would be based on the current network of district labour offices. In September 2007, the Government approved a document outlining the characteristics of the future system, scheduling it to be launched in January 2009.

The Government argued that developments on the labour market required mobilising the employment potential of people receiving social assistance benefits and targeting of assistance at those most in need. These goals were difficult to achieve in a ponderous system involving decision-making at several stages across the state administration and self-governing structures. The complexity of the system mainly hit people in need: the Government claimed that municipalities were "close to their bounds of capability to professionally deliver devolved agendas" (MLSA, 2007a). The state could only indirectly affect the quality of services provided by municipalities, which were falling behind Government objectives and actual needs.

Synchronisation of policy delivery in the areas of employment and minimum income support would strengthen the activation effect of social assistance and ensure the overall effectiveness of reform efforts in the social area. The Government also claimed that integrated governance and delivery of these policies by the state administration would "improve conditions for fulfilling international commitments of the state regardless of local politics" (MLSA, 2007b).

According to the plans, the new National Office would take on some responsibilities in terms of governance, control, methodological guidance and budgeting that are currently held by the Ministry. It would also become a liaison body in relation to the EU and other international commitments. Above all, it would ensure unified and coordinated administration of all basic components of social security, *i.e.* unemployment support, social assistance benefits, family benefits, social care of severely disabled people and the social and legal protection of children. In addition, the outreach of employment services to inactive recipients of social benefits could be improved under a single institution. The Government expected that this institutional reform "could in a foreseeable future save several billion of Czech koruny (CZK)" (MLSA, 2007a).

Although one of the main arguments for transferring competences in the social area to the state administration was the excessive financial and work load on municipalities, the reactions of municipalities that were consulted on this issue were mostly negative, according to the Association of Towns and Municipalities. They claimed that the reform would create an administrative giant, and that municipalities will always have final responsibility for care of their inhabitants. Protests from municipalities and their associations made the Government withdraw the reform with its intended scope, respecting the concerns voiced about the future accessibility and quality of services.

It seems, however, that the Government did not fully abandon its goals and will, in co-operation with the self-government bodies, try and find ways to improve the administration of social benefits and the delivery of services aimed at activation of people not in work.

Source: As cited in text.

- 6. Until 2000, there was no intermediate administrative level between district labour offices and the Ministry. Following the establishment of 14 new higher units of self-administration which were legally responsible for regional social development (Munich *et al.*, 1999), 14 of the existing labour offices were appointed as regional coordinators of the delivery of the state employment policy. This coordinating function was implemented by ministerial ordinance in 2000 and incorporated in legislation in 2004.
- 7. The PES is part of the state employment policy that is decided by the Government with the involvement of other entities active on the labour market, mainly employers and trade unions. In delivering the employment policy at regional and local levels, the state administration co-operates with territorial

self-governing units (*i.e.* governments which issue from elections at regional and local level), occupational organisations, associations of people with disabilities and employers' associations.

- 8. In addition to designing and guiding PES and activation policies, the Ministry is, in the context of the state employment policy, responsible for monitoring and evaluating the labour market situation, forecasting employment developments, coordinating measures in the fields of employment and human resources, providing guidance for employing foreign labour in the Czech Republic and for Czech nationals working abroad, and administering unemployment income support.
- 9. At local level, under the Director General of the ESA, policy is delivered by 77 district labour offices. The network of labour offices corresponds to the structure of territorial self-administration districts. Labour offices are located in administrative centres of the districts. Directors of district offices are appointed by the Ministry and they directly report to the ESA.
- 10. The 14 so-called "authorised labour offices" act as coordinators of other labour offices in their region in terms of implementing the state employment policy and tackling issues of regional employment and intermediaries between district labour offices and the Ministry. They are located in the socio-economic centres of administrative regions, and provide a forum through which relationships with regional self-governing bodies, regional state administration structures, the social partners, and foreign partners are developed and maintained.
- 11. It is important to note that these quasi-regional offices are established by giving extra powers to certain district labour office directors and do not add to the institutional structures of public employment service. In his or her capacity as regional co-ordinator, the director of an authorised labour office acts in compliance with the resolutions of a Board of Directors, which is composed of all district labour office directors in the region.<sup>3</sup> The board discusses developments on the regional labour market and takes decisions on employment policy measures. The board's resolutions are binding for its members.
- 12. Labour offices may establish detached workplaces. Detached workplaces are first contact points aimed at bringing employment services and benefit administration closer to clients' homes. In January 2008, labour offices operated 167 detached workplaces. In addition, the Prague labour office operated 8 branch offices, each covering the territory of one or two Prague districts. Labour offices may also establish separate workplaces for medical assessments, which usually provide services for several districts in the region. Currently, there are 36 medical assessment workplaces in operation.

# Decentralisation and governance

*National and local roles in policy decisions* 

13. As the term already implies, state employment policy is designed at the central level. The ESA (the Ministry) develops annual broad concepts and programmes of the "active employment policy". It sets national objectives in terms of the overall percentage of resources to be used on priority target groups and on concrete active labour market policy measures. In general, the objectives follow the goals of the European Employment Strategy but reflect the situation on the national labour market. The general methodology for the

<sup>3.</sup> With the exception of the Prague region.

<sup>4.</sup> The majority of detached workplaces provide both placement functions and benefit administration: however some only serve as first contact points for the state social support benefits (see Section 2 for further details).

<sup>5.</sup> The number of detached workplaces has been sharply reduced since 1999, when 238 detached workplaces were in operation while the number of district labour offices was the same as today (77) (Munich *et al.*, 1999).

implementation of the active labour market policies is determined in legislation drafted by the Ministry. Devolved structures may, within a standard procedure, comment on the draft legislation.

- 14. In 2002 the Research Institute for Labour and Social Affairs (RILSA) pointed out to "too great a power" held by district labour offices "which sometimes caused an uncoordinated approach to certain activities and labour market policy... Strategic plans, as they only contain general aims, do not bind anyone to actual action" (Kotrusová, 2002). RILSA admitted that these powers enabled labour offices to take timely actions in response to local needs. But targets were not quantified and labour offices hardly received any guidance in terms of the prioritisation of employment policies.
- 15. According to Masaryk University *et al.* (2003), communication between the Ministry and district labour offices at that time was disrupted. The Ministry (and the ESA) "based their decisions first and foremost on political goals and values". Through the ESA, the administration and management were encumbered by political decisions, often seeking compromises. This resulted "in apparent problems with delivering conceptual decision-making". The study claimed that the excessive independence of district labour offices could bring about undue fragmentation of labour market policy. Due to unclear formulation of objectives and tasks from the central level, the independence of district offices had even been strengthening. National action plans developed at the central level only formulated problems, while "concrete objectives of the labour market policy were developed at individual labour offices as the director's guidelines".
- 16. More recently, the ESA has developed a network of regional advisors who are based in the district labour offices. They are consulted by the ESA in the process of drafting new legislation and they also serve as an intermediate level in terms of methodology guidance and resolving problems that arise at the local level. For each district labour office each year, the ESA develops plans for delivering active labour market policies. These plans are based on analyses of local labour markets and are in compliance with the objectives set at the central level (MLSA, 2007c).
- 17. The ESA now issues rather detailed yearly guidelines on how to target active labour market policies. In 2006, for example, the ESA guidelines required that from the total number of jobseekers supported by active programmes at least 30% should be youth, 5 25% should be older than 50 and 20% should belong to the group of long-term unemployed.
- 18. In terms of spending, 20% of the allocated budget should have been spent on retraining programmes, counselling services and work rehabilitation, 35% on subsidised job creation, 25% on public work programmes and 10% on sheltered employment. Extra funds for tackling concrete problems and targeting risk groups on individual regional, district or local labour markets should be raised through the so-called "targeted programmes for tackling employment". These programmes also are subject to approval by the ESA. Individual labour offices may diverge from the plan, but any deviation must be justified and approved by the Ministry.
- 19. Nevertheless, in practice district labour offices are still quite well able to determine, according to their local needs, what tools they use, what groups they target with their programmes, and what proportion of funds they allocate to each particular tool and group. District labour offices are quite independent in terms of setting eligibility criteria for the participation in active labour market programmes. General guidelines are determined in the legislation but do not allow jobseekers to claim an entitlement to participation in the programmes. § In the upshot, it is up to each labour office to select participants in each

<sup>6.</sup> People under 25 years of age and university graduates under 30 within the period of two years after graduation.

<sup>7.</sup> People who have been registered as jobseekers for more than six months.

<sup>8.</sup> This is a different approach from that used in the Slovak Republic, where jobseekers who fulfil the legal criteria are entitled to participate in most active labour market measures (retraining is an exception).

particular programme. Labour offices have developed their own internal guidelines which are followed when selecting jobseekers to participate in programmes.

#### Budget procedures

- 20. Budgets for active labour market programmes are determined at the central level. Within its chapter in the national budget the Ministry determines the amount to be spent in a particular year and allocates budgets to individual district labour offices. The budgets are allocated according to several criteria, namely the number of registered unemployed, rate of unemployment, number of jobseekers under 25 years of age and those above 50, number of disabled jobseekers, number of jobseekers per job vacancy and the number of long-term unemployed. The labour office's commitments from previous years are also taken into account. In the process of budget development, labour offices formulate their needs and submit to the ESA their expectations in terms of funds. To a large extent their requests are taken into account "but the needs are not always fully covered". Although overall spending priorities are determined at the central level, district labour offices have some freedom in deciding how the allocated resources will be spent.
- 21. On a monthly basis, reports on spending are submitted to the ESA. The ESA then investigates, with individual offices, the reasons for low spending in relation to national priorities. Re-allocations among the offices' budgets are quite common. They are made on request from high-spending districts but may also be initiated by the ESA when new tasks are introduced.
- 22. District labour offices may also apply to the Ministry for extra funding through the so-called "regional-targeted" employment programmes. These are developed individually by labour offices or in partnerships with regional/local stakeholders and are aimed at addressing employment issues at local/regional levels. The programmes must be approved by the Ministry, which then allocates the funds. In 2006, 45 regional programmes focused on the hard-to-place groups were submitted, of which 43 were approved.

# Performance management and measurement

Annual performance objectives are determined at the central level with the possibility for district offices to comment on, and, if necessary, diverge from them. However, the objectives set by the Ministry mainly focus on outputs such as percentage of young jobseekers participating in programmes, or percentage of budget spent on subsidised jobs, etc. No explicit outcome objectives are set at any level in terms of *e.g.* number of placements, rate of job retention, etc. Recently, the ESA started evaluating individual labour offices according to their activities, mainly in terms of their participation in projects, partnerships, national and regional expert teams, cross-border co-operation, and successful management of European Social Fund resources.

## *Co-operation with other stakeholders*

24. Relationships with other stakeholders active on the labour market are developed and maintained at each level of governance. In terms of designing the concepts and policies, the Ministry mainly consults with the social partners on the issues of retraining and, in general, the issues of human resources in the context of the labour market developments. In principle, the Council of Economic and Social Accord (tripartite body at the national level) is consulted on every draft of the employment legislation.

10. Sirovátka and Kulhavý (2008) state that reforms have not yet significantly affected "the prevailing bureaucratic-administrative style of policy-making – when the centre had poor conceptual and control capacity and the set goals were neither ambitious, nor strictly enforced and evaluated".

<sup>9.</sup> *Source:* Interviews with PES staff.

25. At the local level, labour offices maintain relationships with other stakeholders through so-called advisory committees that are established at each labour office. They bring together representatives of local employers, trade unions, municipalities, NGOs, church, etc. In practice, it is up to each office to decide, according to their experience and needs, who they invite to co-operate. Advisory committees are consulted on priorities in terms of active labour market policies in a particular district or region. Although they have no decision-making powers, they can bring in valuable inputs in terms of information, contacts, and ideas, and may initiate local employment partnerships. The recent Labour Market Institute Programme provides another channel for co-operation between the PES and employers in the area of vocational training (Box 2).

#### Box 2. The Labour Market Institute

The Labour Market Institute Programme is an interesting example of co-operation between PES and employers. The programme is co-funded from the European Social Fund and the national budget and is implemented by the Ministry in partnership with the Economic Chamber of the Czech Republic and the National Training Fund.

The programme aims at gradually establishing labour market institutes that will provide more intensive services to employers, better target young school-leavers and in general contribute to timely resolution of problems arising from sector and/or regional unemployment. The programme's philosophy is based on enhancing co-operation between employers, labour offices and education institutions. As in other countries in the region, insufficient co-operation among these actors had for a long time been a weak point of the national labour market. As a result, neither the initial education nor retraining programmes had adequately been responding to labour market developments and to the qualification structure of employers' demand for labour.

The programme is designed as a support system for public employment services. Labour market institutes will be established within the existing district and regional structures of the Economic Chamber. Thanks to a new computer interface the institutes will have access to demand and supply information from labour offices and employers. The Economic Chamber will process and evaluate these data and propose targeted education, retraining or small business strategies. Flexible exchange of information and feed-back between main actors will improve the forecasting of labour market developments and the delivery of joint solutions.

The institutes will also enhance co-operation with basic schools in order to improve career guidance services for pupils and their parents and enhance personal contacts with graduating pupils. Under the programme, human resource managers in firms will be trained in recruiting suitable employees. Extra attention will be devoted to the improvement of services for small and medium size enterprises.

The overall objective of the programme is to improve the matching of the individual needs of employers and jobseekers. Labour market institute staff will accompany jobseekers to potential employers and closely co-operate with employers in the course of the jobseeker's adaptation to the new job. The services should (according to <a href="http://portal.mpsv.cz/sz/politikazamest/esf/projekty/itp/download/letak\_itp.pdf">http://portal.mpsv.cz/sz/politikazamest/esf/projekty/itp/download/letak\_itp.pdf</a>) be targeted at "jobseekers that are for various reasons handicapped" and "specific groups of jobseekers endangered on the labour market".

Under the programme the so-called "Inspiration Databank" has been launched. It is a portal providing statistics, methodologies, ideas and best practices in terms of human resource management. As project managers claim, it is mainly intended for regional human resource development centres but it also provides "professional background for all who decide about future directions of the labour market...".

In 2007, the programme was piloted in five regions with the participation of 26 district labour offices. At present verification of methodologies is under way and should be completed by June 2008. Afterwards, labour market institutes will be established in all districts of the Czech Republic, corresponding to the established network of labour offices.

 $Source: www.mpsv.cz; \ http://portal.mpsv.cz/sz/politikazamest/esf/projekty/itp/partneri, \ and \ as \ cited.$ 

26. Masaryk University *et al.* (2003) identified "an inconsistent position of directors of district labour offices". Being not only administrators but also co-designers of local employment policy, directors "enter

<sup>11.</sup> In the advisory committee of the Prague labour office, for instance, the Labour Inspectorate is represented.

into political relations in which they manoeuvre on the edge of their government sector competences". Thus, they partially took on powers in the area of regional employment policies that are in principle held by tripartite structures and local governments.

- 27. For ensuring proper design of work rehabilitation strategies for people with disabilities, district labour offices establish expert working groups composed of representatives of associations of people with disabilities and those employers who employ more than 50% of staff with disabilities.
- 28. Contacts with municipalities are quite intensive for several reasons. First, municipalities provide social assistance programmes and the administration of social assistance benefits is devolved to them. <sup>12</sup> Since poverty is closely related to unemployment, people receiving social assistance are often also clients of labour offices. Second, "jobs" under the public work programme subsidised by labour offices are almost exclusively created by municipalities.

# Outsourcing of PES functions

- 29. Apart from retraining,<sup>13</sup> the classical example of an outsourced service, district labour office may also contract out counselling services.<sup>14</sup> Counselling provided by labour offices is aimed at assessing jobseekers' personal and qualification prerequisites and, based on these assessments, referring jobseekers to job vacancies, vocational preparation or other active labour market programmes. It may be contracted out to specialised agencies regardless of their status, *i.e.* either private or not-for-profit organisations. According to the Ministry, in 2006 the supply of counselling services was increasing as "these activities form an integral part of the majority of projects co-funded from the ESF in the area of employment" (MLSA, 2007c).
- 30. The detailed characteristics of the expenses incurred by external providers of counselling that may be covered from public resources are determined in the legislation. It says, for instance, that expenses may include "appropriate" provider's profit of up to maximum 15% of incurred expenses or that expenses on necessary equipment may not exceed CZK 2 000 per participant.
- 31. In principle, labour offices may also contract out, as part of counselling services, development of individual action plans but actually they do not. According to both the Ministry and labour offices they prefer to rely on the expertise of their own labour office counsellors, because the required quality might be difficult to ensure through external providers. Since individual action plans are not obligatory and are only developed upon request from jobseekers, labour offices do not feel any pressure, in terms of capacity problems, to outsource. On the contrary, Job Clubs are either implemented within labour office structures or contracted out.
- 32. Purchasing of services takes place at the level of district labour offices. They are free to determine, within allocated budgets and according to their needs, the amounts to be spent on outsourced services. Calls for proposals are prepared and the selection procedure is administered by individual offices.

13. According to the Act on Employment, re-qualification (retraining) involves the acquisition of a new qualification, and increasing, extending, or improvement of the current qualification, including its maintenance and reconstruction. Acquisition of a first qualification by a jobseeker is also considered a re-qualification.

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<sup>12.</sup> Subsistence benefit and housing allowance.

<sup>14.</sup> The possibility for labour offices to contract out counselling services was introduced in 2004 by the Act No. 435/2004 on Employment.

<sup>15.</sup> Implementation regulation No. 518/2004 Coll.

They may consult about the scope of outsourced services with advisory committees (where social partners are usually represented) but decisions are not subject to their approval.

- 33. At present, services are mainly contracted out within the framework of programmes co-funded from the European Social Fund. As of 31<sup>st</sup> December 2006, 30 national projects were contracted; to name only a few: "Back to Work", "Find a Job", "Assistance to long-term unemployed in the Ostrava and Most regions", etc. In terms of assisting disadvantaged groups, 36 grant projects were contracted in the framework of a trans-regional grant scheme. The projects are focused on the integration in the labour market of groups endangered by social exclusion, such as Roma communities, people with disabilities, older workers, and low-qualified (MLSA, 2007c).
- 34. It is difficult to assess the amount of public spending on contracted services. The Ministry has no separate budget item for monitoring this kind of expenses. Some information is provided in two budget items under total spending on active labour market programmes reported in MLSA (2007c) and MLSA (2007d). The budget item "other" includes expenses on work rehabilitation of disabled jobseekers, job fairs, seminars and conferences realised by labour offices, information materials issued by the ESA or labour offices, counselling to jobseekers delivered by external providers and other employment programmes implemented by labour offices<sup>16</sup> (beyond the standard measures that are separately budgeted).<sup>17</sup> No information about proportions of spending on these activities is available. However, spending on "other services" in 2006 amounted to CZK 94 256 thousand, which was about 7% of total PES spending as estimated in Table 4 below, and outsourcing represented only part of this.
- 35. Second, the budget item "ESF programmes", with total spending of CZK 1 277 664 thousand in 2006, also includes expenses on services that were contracted to external providers. Here too, no separate budgeting for counselling services is available at the national level. According to the evaluation report for the ESF implementation period of 2004-2006, 92% of projects supported under the Operational Programme Human Resources were targeted at enhancing competences and skills of jobseekers. Almost 80% of projects contained at least one activity aimed at improving job-search skills of the unemployed. The majority of projects had medium-size budgets, *i.e.* between CZK 2 and 7 million (DHV, 2006). However, information about the proportion of spending on placement or counselling services is not available. Many projects contained subsidised job creation or other types of activities that are not subject of our research and would thus distort our calculations. We have thus very little input information for assessing public spending on outsourced employment services in the Czech Republic.

#### 2. PES staff and workload indicators

36. District labour offices in the Czech Republic follow the model of a fully integrated public employment service. They perform employment services, *i.e.* placement and counselling services, referral of jobseekers to labour market programmes and management of these programmes, and are also responsible for the administration of unemployment insurance benefits and state social support benefits.<sup>18</sup>

We speak about the already mentioned "regional programmes for tackling employment" by means of which labour offices apply to the Ministry for extra funding on active labour market policies.

<sup>17.</sup> In 2005, the "other" item also included expenses incurred in relation to the implementation of ESF programmes. Since 2006, ESF programmes have been separately budgeted.

<sup>18.</sup> The main state social support benefits in expenditure terms are child allowance, parental allowance, social allowance (a second type of child allowance, for families with low incomes) and housing allowance, with smaller amounts spent also on foster-care benefits, birth grant and funeral grant (<a href="https://www.mpsv.cz/en/1603">www.mpsv.cz/en/1603</a>; <a href="https://www.mpsv.cz/en/1603">www.czso.cz/csu/2006edicniplan.nsf/engkapitola/1001-06-2006-2400</a>, Table 24-11). The administration of state social support was transferred to labour offices from municipalities with extended authority in

Delivery of social assistance to those who are not entitled to unemployment insurance benefits is devolved to municipalities.

37. In addition to these functions, the labour offices have been monitoring and enforcing the compliance of employers with the employment legislation. In 2005 some of their control competences<sup>19</sup> related to employment relationships were transferred to the newly created National Labour Inspectorate. According to Masaryk University *et al.* (2003), the state control functions performed by the PES created "an inconsistent picture of labour offices" where, on one hand they aimed at applying the client-oriented approach, and, on the other, they functioned "as a repressive body of the state". Often, this resulted in decreased confidence on the side of employers.

#### Box 3. The impact of PES office organisation on the work style used by the staff

Individual labour offices in the Czech Republic do not follow a single model of work organisation. In some offices, placement and counselling services are integrated under a single unit while in the others they form separate organisational sections. There still are offices where placement services are integrated with the administration of unemployment insurance benefits.

According to Masaryk University *et al.* (2003), office organisation may influence the work style of PES staff. Case studies performed in different labour offices in the Czech Republic showed that "the separation of activities related to the placement function from activities typical for benefit administration led to the creation of different work styles". Separation allowed placement officers to concentrate on placement rather than benefit administration. Placement officers then started acquiring some of the work style typical for counsellors, *i.e.* participative management, autonomous working, dealing with unpredictable situations, and a focus on assisting clients. "These parameters are indicators of greater freedom in decision-making *vis-à-vis* clients and are indispensable for provision of individualised services by labour offices".

By contrast, in the surveyed labour offices the benefit administration units used a mechanical or bureaucratic style of work characterised by individual (rather than team) and routine work, an impersonal style of management and standardised work processes. Overall, this left little space for individual officers to take decisions.

The authors concluded that the integration of placement services with the administration of unemployment benefits under a single institution created better conditions for the application of activation strategies and workfare programmes; but it remains desirable to perform placement and related functions separately from benefit administration, as this organisational set-up leads to a "less bureaucratic approach towards clients".

The authors also noticed a tension between the binding character of the guidelines for the work determined at the central level and the fact that the guidelines are unable to regulate all situations. Paradoxically, many directors of surveyed labour offices emphasised the implementation of the guidelines. This, according to the authors, might have resulted in developing stereotypes or, in other words, a double perception of relations as those "formally determined and those really shared by the staff. People think one thing and act the other".

April 2004. Benefit claims are dealt with by labour office first contact points. The only exception is Prague, where state social support is still administered by district self-government offices.

<sup>19.</sup> This text several times uses the word "competence" in the French sense, which refers to powers and responsibilities more than capacity or ability.

38. Table 1 shows proportions of staff at district labour offices devoted to the labour office's main functions. Staff numbers represent full-time equivalents as of 30 June 2007. Although organisational structures may vary between individual labour offices<sup>20</sup> the staff numbers used in this report represent real proportions of staff devoted to individual functions, regardless of the organisational unit they work for. For better understanding Table 2 shows detailed characteristics of selected functions. Most labour offices now have separate internal units for placement work and the administration of unemployment insurance benefits; an evaluation in 2003 concluded that this is the best approach because these functions require different types of approach and working methods (Box 3).

Table 1. Staff in district labour offices according to function and type of activity, 30 June 2007

		Number of	Percentage	Percentage of staff
Broad category	Detailed category	staff <sup>a</sup>	of total staff	in PES functions
Total staff in labour offices		8 173	100.0	
Staff in known PES functions <sup>b</sup>		3 626	44.4	100.0
Of which	Placement	1 371	16.8	37.8
	Counselling	465	5.7	12.8
	Medical assessment	230	2.8	6.3
	ALMP <sup>b</sup>	324	4.0	8.9
	ESF <sup>b</sup>	120	1.5	3.3
	Controlling and legal issues <sup>b, c</sup> Labour market	346	4.2	9.5
	monitoring/analysis <sup>b</sup> Unemployment insurance	127	1.6	3.5
	benefits	643	7.9	17.7
Staff in known non-PES				
functions <sup>b</sup>		2 174	26.6	
Of which	State social support	2 115	25.9	
	Foreign employment <sup>d</sup>	59	0.7	
Management, administrative / clerical and blue-collar workers				
(PES and non-PES functions)		2 372	29.0	
Of which	Financial issues	432	5.3	
	Managers total	1 202	14.7	
	Assets administration and			
	clerical staff	425	5.2	
	Training centres	5	0.1	
	IT	250	3.1	
	Blue-collar workers	59	0.7	

Units (full-time equivalents rounded to the nearest unit).

Excluding foreign labour staff.

State social support *plus* foreign labour.

Foreign employment officers deal with the agenda of work permits and permits for recruiting foreign workers.

Source: MLSA, and author's calculations.

<sup>20.</sup> 

The labour office director can determine the organisational structure of his or her office.

Table 2. Detailed characteristics of selected staff functions

Function	Classification according to activities
Managers	Director of labour office Deputy director of labour office Head of division Head of department
Counselling	Counsellor – specialist Vocational counsellor Counsellor – psychologist Officer in the centre for information and counselling Expert in the centre for information and counselling EURES adviser
Labour market	Labour market monitoring Labour market analyst ALMP specialist Foreign employment officer ESF expert
Controlling and legal issues	Lawyer for employment services Surveyor for employment services Insolvency expert
Financial issues	Main accountant Internal auditor Budget expert Accountant Wage accountant Financial officer Treasurer
Assets administration and clerical staff	HR expert Security officer Assistant Assets administration officer Records officer Secretary Telephonist Public information officer
Blue-collar workers	Driver Cleaner Caretaker and maintenance man

Source: MLSA.

39. Table 3 presents the staff workload in terms of number of clients according to individual functions. Client/staff ratios are slightly overstated insofar as some counselling is, since 2005, performed by staff working for external providers (see above) who are not included in the calculations. In relation to the counselling and medical assessment staff one should rather speak about "potential clients", because not every jobseeker is referred to counselling or medical assessment.

		district labour offices, 30 June 2007
I able 5.	JUDSEEREI/SIAII IAIIUS	

	Number of clients	Number of staff	Jobseeker/ staff ratio
Registered jobseekers	370 791		
PES staff including estimated share of management,			
administrative/clerical and blue-collar workers <sup>a</sup>		5 109	72.6
Of which: frontline placement and counselling staff		1 836	201.9
Placement staff		1 371	270.4
Counselling staff		465	797.8
			UI recipients/ staff ratio
Unemployment insurance recipients (2006)	133 491		
Unemployment insurance administration staff		643	207.8

With management, administrative/clerical and blue-collar workers staff allocated to PES and non-PES functions in the same proportion as staff in known PES/non-PES functions.

Source: MLSA and author's calculations; for staff numbers, see Table 1.

- 40. Placement officers deal with all jobseekers on a regular and quite frequent basis. Jobseekers are required to contact labour offices on determined dates, but the intervals are not regulated by law. They are individually determined by placement officers according to the type of a jobseeker. In general, labour offices require jobseekers under 25 to report in person once in two weeks and the other groups once in four weeks. On 30 June 2007, the labour office register included 55 767 jobseekers younger than 25 and 315 024 jobseekers from the other age groups. Assuming that young jobseekers undertook two, and the other groups one, personal contacts with placement officers in a month, it can be estimated that the 1 371 placement officers undertook over 400 000 personal contacts per month, *i.e.* about 300 per placement officer per month or 15 per working day. However, these figures do not include counselling staff and the more intensive interviews that they undertake with some of the same jobseekers.
- 41. In December 2003, in the districts with the highest unemployment there were 400 to 500 jobseekers per front-line worker. With adoption in November 2003 of the new Act on Employment, the aim of which was the enhancement of activation policies and individualised approach to jobseekers, the Minister had asked the government to increase the number of PES staff by 450, but "the proposal was rejected by the Cabinet on the grounds of the Public finance reform scenario that implies restrictions in the public budget" (EEO, 2003). Compared with the situation reported in 2003, the workload of front-line staff has improved. The average in June 2007 calculated on the same basis (counting both placement officers and counsellors as front-line workers) was 202.<sup>21</sup>

# Public spending on placement and related services

42. Public expenditure on LMP Category 1 according to the OECD methodology is not reported in Czech statistics. Employment services are mainly funded from the national budget but co-funding from the ESF has been increasing. In 2006, spending on active labour market policies, including placement and related services, amounted to CZK 5 300 675 thousand of which CZK 1 623 085 thousand were reported under the category of "other" spending. This category includes national co-funding of ESF programmes (CZK 1 277 664 thousand) and other non-classified expenses (CZK 94 256 thousand, described above).

<sup>21.</sup> Nevertheless, local staff in five surveyed labour offices recently estimated their workload as "300-500 clients per member of staff who has direct contact with clients" (Sirovátka and Kulhavý, 2008).

- 43. For arriving at the most accurate estimate of public spending on placement and related services it would be desirable to include spending on related ESF projects. Over the period of 2004-2006, 92% of them were targeted at enhancing competences and skills of jobseekers and almost 80% contained at least one activity aimed at improving the job-search skills of the unemployed. Unfortunately, we do not know what proportions of budgets under these programmes were spent on placement and counselling. We therefore withdrew from the intention to include spending on ESF programmes in our calculations.
- 44. To estimate direct spending on LMP Category 1 we calculated total staff wage costs, payroll contributions and overhead costs incurred by labour offices, and took 63% of that sum, which represents the share of known PES functions in the total number of staff in labour offices, as described above. For a complete picture we also show expenses on purchased services which, we assume, relate exclusively to the area of the PES. For reasons explained above, the estimates in Table 4 do not include expenditure on placement and related services under ESF programmes.
- 45. According to RILSA (2005) public spending on placement, counselling, prevention and activation measures represented only 0.07%<sup>22</sup> of GDP, one of the lowest levels in Europe. The authors of the report claimed that low priority given to the financial and personnel support of the PES was one of the key problems of the Czech labour market policy. The estimate here for PES expenditure on OECD LMP Category 1, which excludes the administration of state social support benefits and foreign labour, also corresponds to 0.07% of GDP.<sup>23</sup>

Table 4. Expenditure by labour offices on LMP database OECD Category 1 functions, 2006

Thousands of Czech koruny (CZK)

	L	Other costs	Total			
1	2	3	4	5	6	7
Total wage costs <sup>a</sup>	Total payroll contributions <sup>b</sup>	Total overheads	Sum of columns 1 to 3	Estimated direct spending on LMP Category 1 <sup>c</sup>	Purchased services <sup>d</sup>	Estimated total spending on LMP Category 1
1 983 237	733 798	877 777	3 594 812	2 264 731	29 134	2 293 865

Average wage in labour offices actually paid out in 2006 (CZK 20 222).

Payroll contributions represent 37% of wage (35% for social insurance, and 2% for the cultural and social fund).

63% of column 4; it represents the share of labour office staff related to PES functions (excluding staff working on state social support and foreign labour issues), estimated from Table 1.

Purchased services include costs of job fairs, seminars and conferences organised by labour offices and outsourced. Source: MLSA, and author's calculations.

# Registered vacancies and placements

46. Employers in the Czech Republic are obliged to notify vacancies. This obligation was already introduced by the federal Czecho-Slovak Government in 1991 and, in contrast to the situation in the Slovak Republic, it has been preserved until now. Since January 2006, under the Act on Employment, failure to report their vacancies is considered a legal offence for which the employer can be fined up to CZK 0.5 million. The Government decided to introduce this sanction because firms only partly respected

The 0.07% was not an estimate for total spending on active labour market programmes, which according to RILSA (2005) was 0.2% of GDP (date not specified).

By contrast, according to Eurostat (2008), spending on "Total LMP services", which in principle includes all expenditure of the main PES organisation regardless of the detailed functions covered, totalled 0.13% of GDP. The difference arises because *i*) in Table 4, the total spending identified (the sum of columns 4 and 6) is CZK 3 624 million, which is about 13% lower than the Eurostat total of CZK 4 178 million; and *ii*) Table 4 estimates that only 63% of the total spending finances OECD Category 1 functions.

the obligation, "especially employers who do not hire among the unemployed or have had bad experiences with unemployed persons sent by the offices" (Munich *et al.*, 1999).

- 47. A vacancy is defined as a newly created job position, or a position that became vacant, for which an employer intends to hire an employee. Each vacancy must be notified to the relevant labour office within ten days following its creation. In principle, when the employer succeeds in hiring a new employee through other channels within ten days after a job position becomes vacant, he/she has no obligation to notify his or her vacancy to a labour office. <sup>24</sup> Small traders may also notify vacancies at a municipal trade office. Vacancies can be notified in person, by phone or online on the PES portal. Each online entry is afterwards checked by a labour office. This is useful in cases when information has not been entered correctly but also when discriminatory job offers are advertised, in which case labour offices may refuse them. Employers are constantly informed about all stages of vacancy processing.
- 48. Local vacancy databases are administered by labour offices. Data from local databases are automatically added to the national database on a daily basis. Each record contains basic characteristics of the vacancy, *i.e.* name and address of the employer, place of work, profession, type of work contract (fixed or indefinite), working hours (part/full time, shift work), and minimum required educational attainment. Employers are required to indicate whether the job is suitable for school-leavers or people with disabilities. If requested by a labour office, employers should identify vacancies suitable for disadvantaged jobseekers.<sup>25</sup> Notifying information about wage level is not mandatory.
- 49. Labour offices do not advertise vacancies that are of discriminatory character or are in conflict with labour or other legislation, or are in contradiction with good manners. They may refuse vacancies notified by employers who are repeatedly and provably in conflict with labour and wage legislation (the discussion of suitable work below gives some further details about this).
- 50. The obligation to notify vacancies to the PES does not prevent employers from acquiring employees through other channels. While having fulfilled their notification obligation, they may at the same time advertise their vacancies in mass media. In fact, they may take action for recruiting a new employee already during a notice period of the leaving employee, *i.e.* long before the notification obligation towards the PES materialises. In that case the date of take-up of work identified in the employment contract or work agreement is considered as the date when the vacancy has been or will be filled.
- 51. Labour offices do not actively search for vacancies. As they claim, at present they are "swamped with vacancies", and feel no need to search for more. Moreover, staffing levels are too low to allow such activities. Staff responsible for vacancy administration and contact with employers usually have other tasks as well.
- 52. SEOR (2003) reported that in 2002 in the Czech Republic 100% of vacancies captured by labour offices were directly notified by employers. Labour offices themselves did not undertake any initiative to actively search for vacancies. When compared to the total number of new vacancies in the economy, the

<sup>24.</sup> *Source*: Interpretation of §§ 34-38 of Act No. 435/2004 Coll. on Employment at http://portal.mpsv.cz/sz/obecne/prav\_predpisy/vyklady/vyklad\_k\_34-38.

<sup>25.</sup> The Act on Employment defines several categories of jobseekers that require more intensive care from labour offices: people with disabilities, persons under 25 years of age, university graduates under 30 within two years after terminating studies, pregnant women, breast-feeding women and women within nine months after confinement, persons caring for a child under 15, persons older than 50, persons after their sixth month of registration at a labour office, persons in difficult situation, socially maladjusted persons, ex-offenders, and persons from socially and culturally disadvantaged milieu.

market share of PES in the Czech Republic was estimated at  $30-50\%^{26}$  and was comparable to the EU15 countries. This might have been, however, influenced by the legal obligation of employers to notify vacancies, and also by the fact that employers had fewer alternative methods for acquiring new employees than employers in EU15.

- At present the PES market share in terms of job broking is assessed at 15%. As neither the Ministry nor the Czech Social Security Administration have statistics on the number of new employees recorded for mandatory insurance, we estimated total hires in the economy using the Labour Force Survey data on dependent employees. According to the LFS, in recent years about 2% of dependent employees have been with their current employer for less than one month and about 6.5% for less than six months (www.oecd.org). The reporting of one-month data can be erratic and include very-short-term hires (of day labourers or interim agency workers, for example). The 6.5% figure indicates that monthly hires average at least 1.1% of the number of dependent employees per month. We estimated total monthly hiring rate at 1.55% (the average of 2% and 1.1%), hence annual hires at 18.6%. Based on the number of 4.031 million employees in 2006 we arrive at 750 000 annual total hires of dependent employees in 2006. In 2006, 106 800 people were placed in work with the assistance of PES (Table 10) which implies that the PES occupied 14% of the job broking market.
- Vacancies are kept in the database unless employers notify the PES that they are no more valid. If they fail to notify within ten days any change in the status of the vacancy they may be fined up to CZK 500 thousand. In addition, vacancy officers check the validity of registered vacancies once in a month on average. It happens that vacancies with high staff turnover are permanently kept in the database and the information is updated by only entering the latest date of placement into them. Another source of updated information about vacancies is the referral cards that the jobseekers bring with them to a job interview. Employers are requested to note in the cards the result of interviews and thus placement and vacancy officers finally learn when the vacancy has already been filled. Vacancies are never de-registered automatically. Every change must be entered by a vacancy officer.
- 55. "Until 1998, district labour offices reported only stocks of open vacancies and there were imperfections in the information system including delayed removal of filled vacancies. Since 1998 gross flows of vacancies have been reported, significantly enhancing the potential for monitoring labour markets and providing job counselling" (Munich *et al.*, 1999).
- 56. The vacancy statistics for 2006 show two developments. First, the number of notified vacancies increased continuously until near the end of the year, and in every month the number was higher than in a respective period of 2005. Total inflows of registered vacancies were 348 700, 105 200 more than in 2005. In late October 2006, the database contained 101 100 vacancies, the highest number since 1996 (MLSA, 2007c). The increase can partly be explained by introduction of sanctions against employers who fail to notify (see above).

<sup>26.</sup> According to the study, the PES market share in Slovakia was 30% and in Hungary it was estimated at the level of 50-60%. It is important to note that in both countries, employers had a legal obligation to notify vacancies to labour offices. In Slovakia, this obligation was removed in 2004 and the number of vacancies notified by employers dropped significantly.

<sup>27.</sup> Vacancy flow statistics are not regularly published (see SEOR, 2003, Table 7.3). Van Bekkum and Ludeke (2007) state that the total vacancy intake in 2006 was 178 000, which is much lower. However, this figure was based on data originally submitted by the Czech Ministry of Labour and Social Affairs in 2007 that were later revised. The new figures are very close to those published in MLSA (2007c) and are presented in Table 6. The statistics do not include vacancies for subsidised employment positions.

57. Second, the monthly stock of unfilled vacancies and the period for which vacancies stayed unfilled increased. The average monthly stock of vacancies in 2006 was 26 800 higher than in 2005. In the first semester of 2006,<sup>28</sup> 87 400 vacancies were deleted from the database because they were either filled by employers without assistance from the PES or were simply cancelled, 14 100 more than in the same period of 2005 (MLSA, 2007e). Data for December 2007 show a further increase in the number of vacancy deletions (Table 5). The growing stock of unfilled vacancies and increasing number of deleted vacancies may imply that labour offices found it increasingly difficult to provide suitable candidates for vacancies.

Table 5. Vacancy flows and stocks by type of vacancy, December 2006 and December 2007
Units

	At end	Flows in reported month				Stock at end of reported month				
							Of wh	ich for		
	of preceding month	Inflow	Filled	01118	Total	Youth		Of which for	f which for	
	or proceding month	IIIIOW	rilleu	Cancelled	Total		School-	Youth	Disabled	
							leavers	below 18	Disableu	
31 December 2006	98 966	20 067	9 015	16 593	93 425	17 477	17 448	323	3 170	
31 December 2007	141 280	28 867	9 974	19 107	141 066	29 336	29 289	712	4 568	

<sup>&</sup>quot;Cancelled" vacancies include vacancies filled by employers through other channels or vacancies no more valid. Source: MLSA, 2007g.

Table 6. Vacancy inflows and stocks, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Inflow Stock at end of the	304 727	292 975	259 077	247 053	283 540	295 645	370 766	467 986
year year	52 060	52 084	40 651	40 188	51 203	52 164	93 628	141 170

Source: Data supplied by Eva Procházková (MLSA) to the European PES Vacancy Monitor (EPVM) and to OECD.

- 58. According to World Bank (2007)<sup>29</sup> the number of workers with less than upper secondary education exceeded the number of jobs requiring only basic skills. In other words, in spite of a growing number of available jobs, workers with low or obsolete skills have started experiencing serious difficulties in finding employment. Many sectors reported serious shortages of workers with relevant skills. Among EU8+2 countries, this problem was most pronounced in the Czech Republic, Hungary, Slovakia and Bulgaria.
- On the other hand, it was no easier to fill registered vacancies requiring low-qualified labour. In Prague, which is the largest regional labour market in the Czech Republic, 30 about half of all unfilled vacancies in 2006 were unfilled for more than three months (Table 7). Until the last quarter, the proportion of registered vacancies that stayed unfilled for more than 12 months was highest for the category of jobs requiring basic or lower secondary education, *i.e.* unqualified jobs (Table 8). According to Prague Labour Office the difficulties in filling unqualified jobs were caused by actual "imbalance between wages and working conditions". However, Tables 7 and 8 show a sharp drop in unfilled vacancies, especially those unfilled for long periods and requiring only basic education, in the fourth quarter, which appears to reflect a vacancy validity check-up undertaken starting in October 2006 (Prague Labour Office, 2007).

<sup>28.</sup> Data for the whole of 2006 are not available.

<sup>29.</sup> The report analysed the period between Q1 2005 and Q1 2007.

Among the total of 4 709 985 jobs in the Czech Republic in 2006, 725 873 (15%) were located in Prague (Prague Labour Office, 2007).

Table 7. Unfilled vacancies by duration, Prague labour office, 2006

Units

	Q1	Q2	Q3	Q4
Total stock of vacancies	16 126	16 996	19 928	16 067
Unfilled for more than 3 months	7 363	8 492	11 027	7 632
Unfilled for more than 6 months	5 203	4 976	6 637	4 178
Unfilled for more than 12 months	3 202	3 001	3 553	1 443

Source: Prague Labour Office (2007) and www.mpsv.cz.

Table 8. Vacancies unfilled for more than 12 months by educational attainment, Prague labour office, 2006

Percentage of total vacancies

	Q1	Q2	Q3	Q4
No education	1.6	1.7	1.4	2.2
Basic education	24.6	23.7	23.6	6.7
Lower secondary	17.3	20.6	15.4	12.3
Upper secondary	16.6	12.4	9.2	8.8
Higher vocational	11.1	6.2	14.8	15.6
Bachelor	1.1	0.7	5.4	1.0
University	11.3	9.5	10.2	15.1
Post-graduate	0.0	0.0	0.0	0.0
Total	19.9	18.8	17.8	9.0

Source: Prague Labour Office and www.mpsv.cz.

Prague Labour Office (2007), www.mpsv.cz.and author's calculations.

60. In spite of a completely different regional labour market situation, similar developments can be observed in Ostrava<sup>31</sup> Labour Office. In the first semester, 44.6% of vacancies requiring no or basic education were long term, a higher proportion than for vacancies requiring lower secondary or higher education. By December 2006 the situation had changed dramatically and only 2% of all long-term registered vacancies required no or basic education (Ostrava Labour Office, 2007). Plausibly these developments also reflect a drive to check the continuing validity of long-term unfilled vacancies on the register.

61. Long-term trends in the ratio of registered jobseekers to unfilled vacancies are shown in Table 9. This ratio decreased sharply throughout 2006, from 8.9 in January to 4.3 in October and afterwards slightly increased<sup>32</sup> to 4.4 and 4.8 by the end of the year. By June 2007, the ratio had improved again to 3 jobseekers per vacancy (MLSA, 2007c and 2007f).

<sup>31.</sup> Ostrava, the region with a traditional mining industry, was sharply hit by the restructuring in the 1990s. In spite of very positive developments in 2006, the registered unemployment rate in December 2006 was 13.3%, still significantly above the national average. In terms of absolute number of registered jobseekers Ostrava Labour Office had the second highest number, following the neighbouring district of Karvina. For comparison, in the same period, the registered unemployment rate in Prague was 2.7%.

<sup>32.</sup> The increased proportion of jobseekers per vacancy was caused by the already mentioned drop in the number of registered vacancies at the end of the year.

Table 9. The jobseeker/vacancy ratio, 1991-2006

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
3.4	2.1	2.2	2.4	1.7	1.6	2.8	5.5	12.4	10.2	7.6	9.8	12.3	11.8	9.2	5.8

Source: MLSA (2007g), and author's calculations.

- 62. It is important to note, however, that not all registered vacancies reported in the statistics are actually available to registered jobseekers. On 31<sup>st</sup> December 2006, from the total stock of 93 425 registered vacancies, 16 701 (17.9%) were vacancies notified by employers authorised to recruit foreign workers and 2 421 (2.6%) were vacancies for which employers already held permission to employ foreigners. These vacancies were in fact intended for foreign workers and most likely would not be filled with labour offices' clients. Thus, the actual jobseeker/vacancy ratio was in fact slightly less favourable.
- This phenomenon is clearly visible on the Prague regional labour market. According to Prague Labour Office (2007) the vacancy database has traditionally contained a large number of registered vacancies that are "useless for the purpose of job mediation". These are vacancies that are reported and monitored for administrative purposes only. "For this type of vacancies work permits for individuals rather than permits to recruit workers are issued, hence these vacancies were in fact not created and thus are not available for job mediation. They mainly concern unskilled and unqualified work with minimum remuneration". On the Prague regional labour market in 2006, these vacancies represented 39% of all registered vacancies.
- 64. Similar observations were documented by Ostrava Labour Office. In 2006, 34.2% of all vacancies in Ostrava were long-term registered, but around half of the long-term registered vacancies were notified by employers when applying for permission to employ foreigners. Permission to hire foreigners is granted when the vacancy is long-term registered, *i.e.* has stayed unfilled for more than three months.<sup>33</sup> The long-term vacancies intended for foreigners are not effectively available for the placement of jobseekers.
- 65. Taking Prague as an example, when all registered vacancies are taken into account, there were 1.3 jobseekers per vacancy on the regional labour market in 2006. But if vacancies intended for foreigners are eliminated from the calculations, the ratio rises to 2.1 jobseekers per vacancy (Prague Labour Office, 2007).

Table 10. Jobseeker inflows, outflows and placements, 2005 and 2006

Thousands of persons

	2005	2006	1 <sup>st</sup>	semester 20	06	2 <sup>nd</sup>	semester 20	006
	2005	2006	Total	Q1	Q2	Total	Q3	Q4
Inflow total	638.2	610.7	296.7	166.8	129.8	314.1	165.9	148.1
Outflow total <sup>a</sup>	669.5	672.6	356.0	162.5	193.5	316.6	162.9	153.8
Placed by PES	103.4	106.8	57.5	24.1	33.4	49.3	24.4	24.9
Placed without PES	347.5	323.1	178.7	82.0	96.7	144.4	73.8	70.5
Failed to cooperate	83.5	87.0	41.2	18.3	22.9	45.8	22.0	23.8
Other grounds	135.1	155.7	78.6	38.1	40.5	77.2	42.6	34.6

Slight differences in sums are caused by rounding to one decimal point. *Source*: MLSA (2007c, and 2007g).

66. In 2006 labour offices registered 610 700 new jobseekers which was 27 500 less than in 2005. By contrast, the outflow from the register of jobseekers in 2006 was 3 100 higher than in 2005. Detailed flows of jobseekers in 2006 are presented in Table 10. Although the total number of job entries on a year-on-year

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<sup>33.</sup> This definition was introduced by MLSA in Q4 2002.

basis fell, the number of people placed with the assistance of PES increased by 3 387. However, long-term data on the proportion of placements assisted by PES show a decreasing trend. Annual total placements of jobseekers with the assistance of PES relative to the total stock of registered jobseekers decreased from 85% in 1993 to 22% in 2006 (Table 11). From the total number of exits to employment, 47% were assisted by PES in 1993, but only 25% in 2006 (Table 12). The proportion of people de-registered on grounds of failure to co-operate with PES slightly increased and amounted to 87 000 (MLSA, 2007c).

Table 11. Placements of jobseekers with the assistance of labour offices, and average stock of jobseekers, 1991-2006

	Placed with the assistance of PES <sup>a</sup>	Number of registered jobseekers <sup>b</sup>	Rate of placements assisted by PES <sup>c</sup> (%)
1991		141 484	
1992		163 253	
1993	132 296	155 214	85.2
1994	128 771	172 064	74.8
1995	109 708	155 571	70.5
1996	102 007	160 657	63.5
1997	111 166	219 502	50.6
1998	105 134	311 677	33.7
1999	120 104	443 171	27.1
2000	146 217	469 967	31.1
2001	137 044	443 826	30.9
2002	116 900	477 466	24.5
2003	109 732	521 583	21.0
2004	115 414	537 426	21.5
2005	103 372	514 310	20.1
2006	106 759	474 790	22.5

Data not available.

Annual total number of placements in units.

Annual average stock of registered jobseekers in units.

Placements of jobseekers with the assistance of PES per registered jobseeker per year, expressed as a percentage. Source: MLSA (2007g), and author's calculations.

Table 12. Placements of jobseekers with the assistance of labour offices, 1991-2006

Percentage of total jobseeker exits to employment<sup>a</sup>

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
		47	43	42	40	37	29	28	29	30	26	24	24	23	25

<sup>..</sup> Data not available.

Based on annual average exits from the jobseeker registry.

Source: MLSA (2007g), and author's calculations.

A significant share of outflow is attributable to people who left the register on "other grounds", *i.e.* who were neither placed in work nor de-registered on grounds of failure to co-operate. This involves cases when a person has been in custody for more than six months or started to serve his or her sentence, became fully invalid, or voluntarily asked labour office to terminate his or her registration, etc. The number of people de-registered this way increased in 2006 by 20 700.

As Prague Labour Office (2007) implies the category of "other grounds" is likely to also contain people who were in fact placed in work and should therefore be included in one of the two categories reporting number of placed jobseekers (either with the assistance of PES or through other channels). It seems, however, that incorrect entries about reasons for exit from the register of jobseekers are unavoidable. The problem is that labour offices can only report placements in work if start of employment or other work was documented by a jobseeker (by a copy of the employment contract, certification from the employer or a statutory declaration about his or her self-employment). The Act on Employment provides jobseekers with a period of eight calendar days from the actual take-up of work. "In many cases, for jobseekers who already took-up work this is very complicated, time-consuming and technically impossible, therefore the registration is terminated on other grounds. According to the assessments, the actual monthly number of jobseekers who were placed in work was 500-600 higher than that reported in the statistics" (Prague Labour Office, 2007). One national survey has also reported that the share of PES placements in hires of the unemployed was higher than the figures in Table 10 would suggest (Box 4).

#### Box 4. Jobseekers' search strategies in 2002

According to the survey undertaken by the Research Institute for Labour and Social Affairs (RILSA) in 2002 on a sample representative of the whole active population, more than one third of new jobs were gained through social networks (family, friends, etc.) and one third by taking own initiative to visit future employer. 15% of new employees gained their jobs through private placement agencies, by applying to advertised jobs, or by sending CVs and motivation letters to employers. Only 5% of new hires were assisted by the PES. With respect to the unemployed, PES market share represented 20-30% of placements.

People with lower educational attainment tended to mobilise their social networks, visit potential employers and rely on the PES assistance. People with secondary and higher educational attainment more often used private agencies, sent CVs and motivation letters and, to much less extent, relied on assistance from PES.

After six months in unemployment more than 65% of the people surveyed did not believe in any help from labour offices. Consequently, their openness to co-operation with the PES was decreasing. In spite of that, job search through labour offices was the most frequent strategy used among the surveyed group. The authors wonder whether such behaviour might be an expression of certain passivity. On the other hand, they admit, that this might relate to the fact that assistance from the PES was mainly sought by people with worst prospects on the labour market.

Source: Mareš et al. (2002).

#### 3. Unemployment insurance benefits

## Entitlement and eligibility criteria

- 69. Unemployment support in the Czech Republic is based on an insurance principle. Contributions for state employment policy are paid both by employers and employees and, together with other social insurance contributions, are collected by the Czech Social Security Administration. In 2003, the RILSA estimated that only 50% of revenues from unemployment contributions are directly used to fund active and passive employment policies (Kotrusová, 2002).
- 70. The employment record and income history of the person concerned determine his or her entitlement to unemployment support. Benefit entitlements were defined for both Czech and Slovak

<sup>34.</sup> This regulation was introduced from January 2006.

Total jobseeker exits to employment in 2006 were 1 712 per month, of which 279 (16%) were recorded as placed by the PES; the assessments referred to by Prague Labour Office (2007) therefore imply that the proportions actually placed by the PES were about three times higher, corresponding to nearly half of all exits to employment.

Republics in 1991, but have been revised several times since then (Box 5). The proportion of registered jobseekers receiving unemployment support (Table 13) fell in 1992 when the maximum benefit duration was reduced to six months, and fell further in the late 1990s and 2000s, perhaps related initially to a reduction of the replacement rate and later to the improving labour market situation. The average benefit payment as a percentage of the average wage (Table 14) has moved in line with the cut in replacement rates in 1998 and the slight increase in 2004.

#### Box 5. The development of unemployment support in the Czech Republic

In 1991 the Act on Employment defined unemployment support as the "material security of a jobseeker". For entitlement to the benefit, an employment record of at least 12 months over the last 3 years was required. Time spent caring for a child younger than 3 years or studying also counted towards the 12 months employment record. The benefit was paid for a maximum of one year. The benefit amount was dependent on previous income from work set in the first 6 months at 60% (65% in case of layout due to restructuring), and for the remaining 6 months at 50%, of previous earnings. When a jobseeker attended a retraining course the replacement ratio was 70%. No upper limit on benefit levels was applied.

In 1992, the benefit period was reduced to 6 months while benefit levels remained unchanged. Exceptions for those unemployed due to restructuring were removed. The maximum benefit level was set at 150% of the minimum living standard of a single person (180% when in retraining).

In the context of the spending cuts during the fiscal instability in 1997, replacement ratios were cut, in 1998, to 50% in the first 3 months and 40% for the following period. For jobseekers participating in retraining the replacement ratio was set at 60% of the previous wage. In 1999 the upper limit was increased to 250% of the minimum living standard of a single person and to 280% when in retraining.

In 2004, the benefit periods became dependant on the beneficiary's age, *i.e.* 6 months for those under 50, 9 months for people aged 50 to 55, and 12 months for jobseekers aged 56 and over. The benefit level for the period after 3 months of unemployment was slightly increased, from 40 to 45%. Partial unemployment was introduced at this time (see main text). The maximum benefit level was determined as 58% of average wage in the economy for the period covering the first three quarters of the calendar year preceding the year when the claim for unemployment support was submitted.

Table 13. Unemployment support recipients, 1991-2006

Levels, and percentage of registered jobseekers

	1991	1992	1993	1994	1995	1996	1997	1998
Benefit recipients	91 967	85 904	73 295	81 799	71 075	75 484	111 179	151 949
Share of jobseekers (%)	65.0	52.6	47.2	47.5	45.7	47.0	50.7	48.8
	1999	2000	2001	2002	2003	2004	2005	2006
Benefit recipients	193 682	176 264	155 006	173 123	182 705	169 109	138 714	133 491
Share of jobseekers (%)	43.7	37.5	34.9	36.3	35.0	31.5	27.0	28.1

Source: MLSA (2007g), and author's calculations.

Table 14. Average unemployment benefit level, 1991-2006

Percentage of gross average wage

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
			26.2	24.7	23.5	23.7	19.9	20	20.6	20.2	20.1	19.8	19.9	22.4	22.4

Source: RILSA (2007).

- 71. Entitlement to unemployment support requires 12 months of employment or other gainful activity over the period of 3 years preceding the claim. Substitute employment can be taken into account in the following situations: when a disabled person was preparing for work, when a person was receiving full-invalidity pension, the period of military (or substitute) service, personal care of a child under 4 years of age, or under 18 when the child was severely disabled, personal care of a bedridden close relative or partially-bedridden close relative who is over 80, voluntary work performed for more than 20 hours in a week if performed for an organisation licensed by the Ministry of Interior, and maximum 6 months of systematic preparation for future employment. If within 6 months preceding registration the person was released from work because he/she breached labour legislation in a particularly severe manner he/she will not be entitled to unemployment support. Claimants must register as jobseekers at district labour offices in their place of residence.
- 72. Benefit duration is dependent on the person's age. Jobseekers under 50 receive benefits for 6 months, those between 50 and 55 for 9 months, and those aged 56 and over for 12 months. In case of a sanction de-registration before the benefit period has expired, a jobseeker loses 3 months from his or her entitlement. This sanction does not apply when the jobseeker was de-registered due to health reasons.<sup>37</sup>
- 73. In the first 3 months of the unemployment spell the benefit level is determined as 50% of the jobseeker's average monthly income from last employment,<sup>38</sup> for the remaining period it is reduced to 45%. The benefit is granted from the day when the application for registration was submitted to a district labour office. If, however, the person registers without any delay, *i.e.* within three working days after when he/she stopped working, the benefit will be granted immediately from the day following termination of work.
- 74. Unemployment support cannot be combined with some other income-supplementing benefits. Thus, it is not paid for periods when the person receives old-age pension, benefits from sickness insurance, or the retraining benefit.<sup>39</sup>
- 75. Once the benefit period has expired, a new entitlement only arises when the person has taken up employment or another gainful activity and performed it for at least six months. Periods of work performed when registered as a jobseeker and short-term employment are not taken into account. The six-month employment period would not be required if the person terminated employment due to health reasons or reasons caused by the employer. When over the three years the person did not use his or her whole benefit period and afterwards was employed for at least three months, he/she would be entitled to a full new

<sup>36.</sup> A systematic preparation for future employment involves full-time study at secondary schools, higher vocational schools, universities and other higher education institutions, including vacations that are part of school or academic year (§ 5 of Act No. 435/2004 Coll. on Employment).

When, according to a medical assessment, he/she can no more co-operate with a district labour office in order to be placed in work or when he/she was recognised as fully invalid.

<sup>38.</sup> Or, in case of self-employed person, as 50% of his or her last monthly tax base.

<sup>39.</sup> The 2004 legislation introduced a separate training benefit, replacing the former practice (described in Box 5) of paying unemployment benefit (at a slightly higher level) during training. Retraining benefit is paid for the whole period when a jobseeker is participating in a retraining programme organised by a district labour office. The same entitlement criteria apply as in case of unemployment support. The level of retraining benefit is slightly higher than unemployment support and is determined as 60% of the jobseeker's average monthly income from his or her last employment. The benefit level remains unchanged for the whole benefit period. The maximum benefit level is determined as 0.65 of the average wage in the economy for the period covering the first three quarters of the calendar year preceding the year when the jobseeker entered the retraining programme. Unemployment support and retraining benefit cannot be granted concurrently.

benefit period. In case of a shorter employment record, however, the person would only be entitled to the remaining part of the last benefit period. 40

76. From 2004, the Government made it possible to combine partial unemployment with the receipt of unemployment support. During registration as a jobseeker, a person is allowed to perform employment or other gainful activity involving less than half of regulated weekly working time and less than half the minimum wage (since 2006, not exceeding the half the minimum wage). According to Večerník (2006) "benefit recipients who combine an official part-time job with unofficial work paid in cash could potentially receive unemployment benefits that they should not be entitled to, and easily avoid control. It is next to impossible for anyone to monitor the earnings of unemployed persons in reality." The Government intended to refine this measure by introducing the so-called "casual registered work" through which the scope of partial employment and respective remuneration could be better monitored. During 2005-2006 the measure was piloted in three district labour offices and after successful piloting should have been adopted as a national policy. Apparently it was not, but information about the reasons for this is not available.

# Required labour market behaviour

- 77. Legislation does not explicitly state that a jobseeker, and hence also the recipient of unemployment support, must be able and willing to work. Such a formulation only appears with respect to the right to employment that is defined in law as "...the right of a natural person, who is willing and able to work and is searching for work, to employment, mediation of employment, and to the provision of other services according to the conditions stipulated by this act" (§ 10 of Act No. 435/2004 Coll. on Employment).
- 78. A requirement of ability to work is, however, implicit in the list of situations under which a person may not be registered as a jobseeker, and therefore will not be entitled to unemployment support. They include cases when a person is temporarily incapable of work, *i.e.* he/she is sick, when he/she is serving military service or substitute service, is in custody or imprisonment, or is fully invalid. Women are not registered in the period six weeks before and six weeks after confinement.
- 79. The list of situations that provide grounds for the elimination from the jobseeker register also implies that willingness and ability to work are required. In terms of ability to work, a jobseeker will be de-registered when, according to a medical assessment, he/she is not able to co-operate sufficiently to allow his or her placement in work. A jobseeker who has been in custody for more than six months will also be de-registered.
- 80. In terms of his or her willingness to work, refusal of a suitable job, refusal to participate in an agreed retraining programme, <sup>41</sup> failure to follow the regime under that retraining programme, failure to report in person on a determined date or undertake action according to an individual action plan, refusal of a medical assessment or any other action thwarting placement in work are grounds for eliminating the person from the register and for immediate loss of unemployment support.
- 81. Health constraints are only recognised as reasons for reduced employability if they are certified by a medical doctor. Jobseekers are obliged to inform labour offices of health constraints that are relevant for the purposes of job placement and for referrals to appropriate retraining or work rehabilitation.

<sup>40.</sup> In all cases cited in this paragraph, a 12-month employment record within the last three years would still be required.

<sup>41.</sup> An "agreed retraining programme" is one that has been (voluntarily) agreed between a PES officer and a jobseeker. For example, a long-term jobseeker may (voluntarily) request training for a particular skill and so avoid compulsory referral to a public works programme; but later, when a place on an appropriate course becomes available (which may be months later), fail to attend. Then a sanction can be appropriate.

- 82. Willingness to work is not verified at the moment of registration. Every jobseeker, however, confirms by signature that he/she is aware of his or her obligations related to the status of a jobseeker. Although non-willingness to work is often evident to placement officers, it is hard to prove unless one of the above-mentioned situations materialises.
- 83. According to the Ministry, "in case of low-paid occupations with earnings comparable to the amount of social-safety benefits, willingness to work is lower. Due to absence of flats in the market and unwillingness to move for a job, there are regions where some qualifications are redundant and, other regions where requested qualifications are not available" (MLSA, 2007h).
- 84. There are no specific age limits neither for the entitlement to unemployment support or for registration at a labour office. Nevertheless, a person systematically preparing for his or her future employment cannot be registered as a jobseeker. A systematic preparation for future employment involves full-time study at secondary schools, higher vocational schools, universities and other higher education institutions, including the period of vacations that are part of school or academic year. Schooling is compulsory for nine years, normally from the age of 6 or 7. Hence, the lowest possible age when a person can be registered as a jobseeker is 15.
- 85. At the same time, a person entitled to the old-age pension has no entitlement to unemployment support. Age limits for the entitlement to old-age pension in 1996 were 60 years for men and 53-57 years for women, according to the number of children raised. Since then, the age limits have been increased by two months for men and four months for women every year. Hence, in 2008 the pensionable age for men is 62 and for women 57-61 years.
- 86. Short-term travel during a benefit spell is not regulated. Although jobseekers must contact labour offices in person on determined dates, the intervals are not regulated in law; they are individually determined by placement officers according to the type of a jobseeker. In general, labour offices require jobseekers under 25 to report in person once in two weeks and other groups once in four weeks. It is not unusual that jobseekers with very low employment prospects are called in only once in six weeks, especially in cases when no suitable job offer is available. Reasons for failure to report in person on a determined day must be notified to the placement officer within eight days.
- 87. In between dates determined for personal contacts with labour office jobseekers are, in fact, not forced to stay in their place of residence. Although they should be available for job interviews at any time, job offers are almost exclusively notified during the jobseeker's visit to a labour office, and referral cards are always handed over in person.
- 88. Similarly, a jobseekers' "holiday" is not regulated. In practice, each request is considered individually taking into account the previous behaviour of the jobseeker. In principle, placement officers are forthcoming towards co-operative and non-problematic jobseekers.
- 89. Legislation does not state that a jobseeker must be able to take up work immediately or within a concrete time. It only defines a sanction for failure to attend a job interview within a time determined by a placement officer, which is normally three working days. Jobseekers receive referral cards with which they apply for a job with a concrete employer. The card usually states the date of the expected take-up of work but jobseekers sometimes succeed in agreeing with the employer on a later date of take-up. In any case, jobseekers are always obliged to apply for a job within a determined time limit.
- 90. Normally jobseekers must be available for up to 40 hours of work per week. A suitable job is defined as a job involving at least 80% of this weekly working time, *i.e.* 32 hours per week. From 2004, temporary jobs lasting longer than three months have been considered suitable. For jobseekers registered

for more than one year jobs involving 50% of weekly working time (20 hours) are considered suitable. Shorter jobs are suitable for long-term unemployed when they involve at least 32 hours of work per week. If requested by a jobseeker, jobs involving shorter working time are also offered but jobseekers have no obligation to accept them.

- 91. A suitable job should correspond to a jobseeker's health condition. He/she may restrict his or her availability on grounds of his or her health capacity but it must be certified by a medical doctor. Refusal to undergo medical assessment is assimilated to refusal of a suitable job.
- 92. Apart from health reasons, family and caring responsibilities are in fact the only tolerated reason for refusing suitable employment or for any other failure to co-operate. Thus, when substantiated, labour offices would tolerate not only necessary care of a child or a bedridden close relative, but also problems related to the opening hours of child-care facilities or the spouse's absence from home due to work.
- 93. Socially-maladjusted people, ex-offenders, and people from a socially and culturally disadvantaged environment have no legal concessions as regards frequency of reporting, participation in retraining or acceptance of a suitable job. On the contrary, they are entitled to a more intensive care from the PES. In practice, however, placement officers would not refer them to a job at any cost. They would rather be placed in public work programmes that aim at reconstructing working habits and motivation to work. Since participation usually does not lead to placement in the open labour market, jobseekers can rotate in the programme for quite a long time. As mentioned above, when no suitable jobs are available, hard-to-place jobseekers can be called in for reporting in a lower frequency, *i.e.* once in six weeks instead of the usual interval of four weeks.
- 94. Officially, jobseekers cannot reserve themselves for specific employers or workplaces. In practice, however, placement officers would tolerate jobseekers' unavailability for offered suitable vacancies if they can document promises of more favourable jobs. If the waiting period was expected to be too long, jobseekers would normally be asked in the meantime to accept short-term jobs, if available. Anyway, when granting any concessions, the jobseeker's previous behaviour would always be taken into account.
- Working conditions and wage arrangements must be in compliance with labour law regulations. Labour offices do not advertise vacancies that are discriminatory or in conflict with labour law or other legislation or are inconsistent with good manners. They can refuse vacancies notified by employers who are repeatedly and provably in breach of labour and wage legislation. However, unless the employer's misconduct in terms of working conditions is proved by a labour inspectorate, a job offer notified by that employer is deemed suitable and treated equally. Some labour offices closely co-operate with local branches of the State Labour Inspectorate.<sup>42</sup> For instance, the local labour inspectorate is represented in the advisory committee<sup>43</sup> established by the Prague Labour Office. Such a relationship allows for flexible action if allegations arise.
- 96. Employer manoeuvres are monitored with respect to jobs subsidised from public resources. Although employers are not obliged to retain employees once the subsidies expired, in cases when

<sup>42.</sup> The State Labour Inspectorate was established in July 2005. Previously, labour offices had exclusive responsibility for verification of employers' adherence of employers to legislation. Under the current system, labour offices have powers in relation to situations preceding the conclusion of an employment contract and to undeclared work. Labour inspectorates check compliance with legislation relating to existing employment contracts.

<sup>43.</sup> In the advisory committees representatives of territorial self-governments, employers, NGOs and other labour market stakeholders discuss issues relevant to the local labour market.

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employees are dismissed shortly after the end of the subsidised period labour offices will start monitoring that employer's behaviour.

- 97. Self-employment is normally not considered suitable work and cannot be requested. However, it can meet job-search requirements and a jobseeker may receive financial assistance to start self-employment from the labour office.
- 98. A suitable job should, where possible, be within the jobseeker's accommodation possibilities and reach by transport. Relocation for work cannot be requested. Family and caring responsibilities are recognised constraints to long commuting to work. As the Ministry claims "the suitability of a job with respect to long travel-to-work time should be considered on an individual basis, as not every jobseeker is particular about long distance to work" (MLSA, 2007h). As regards travel-to-work cost jobseekers cannot claim any constraints.
- In terms of type of work a suitable job should, where possible, correspond to the jobseeker's qualifications, capabilities, and previous employment. 44 In practice, the jobseeker's educational attainment is only taken into account in the first months after registration. Later in the unemployment spell, after 6-12 months, jobs involving educational attainment lower by one or two degrees would also be deemed suitable. Jobseekers can never refuse jobs because of wage level or work expenses. By contrast, serious personal constraints, such as ethical, moral or religious that the jobseeker substantiates and proves are tolerated reasons for refusal of a job.
- 100. Other cases assimilated to refusal include failure to attend job interview if referred by a placement officer, any intentional behaviour discouraging the employer to offer the job, any unjustified action thwarting take-up of work, accepting a job but then failing to start on the agreed day, refusal to give references, and refusal to undergo medical assessment.
- As Večerník (2006) claims, "formal rules for receiving unemployment benefits are already strict. Nevertheless, the enforcement of rules is rather weak and informal avenues are frequently employed. The efficiency of IAPs<sup>45</sup> was not assessed so far. Weaknesses in both the enforcement of rules and the application of activation measures can undermine the effect of the formally well-suited system". Some survey evidence also indicates that jobseekers' expectations, particularly in situations of long-term unemployment, are not so flexible downwards as the formal rules imply they should be (Box 6).
- Statistics about number of benefit stops and loss of entitlement due to a sanction are not available in the Czech statistics. In 2006, 87 000 jobseekers were removed from the unemployment register because they failed to co-operate with the PES (MLSA, 2007c). However, this number also includes people not receiving unemployment support, who may for example be removed from the jobseeker register when they do not report to the labour office (Table 15).

For comparison, in 1990 "the definition of a suitable job was rather strict, providing nearly no room for 44. respect for qualification or previous profession. Sanctions for non-compliance with the requirement to accept a suitable job or to co-operate with Public Employment Services were severe - exclusion from registers of the unemployed for the period of three months with subsequent loss of benefits entitlements" (Sirovátka and Kulhavý, 2008).

<sup>45.</sup> Individual Action Plans. Labour offices may develop IAPs for persons requiring more intensive care while they are obliged to offer development of an IAP to young jobseekers.

Table 15. Outflows from the unemployment register due to failure to co-operate with the labour office, 2005 and 2006

Levels in thousands

	2005	2006	1 <sup>st</sup> semester 2006			2 <sup>nd</sup> semester 2006		
_	2003		Total	Q1	Q2	Total	Q3	Q4
Total outflow	669.5	672.6	356.0	162.5	193.5	316.6	162.9	153.8
Failed to co-operate	83.5	87.0	41.2	18.3	22.9	45.8	22.0	23.8
Share of jobseekers who failed to co-operate (%)	12.5	12.9	11.6	11.3	11.8	14.5	13.5	15.5

Source: MLSA (2007c).

## Box 6. Self-assessment of job prospects and the labour market behaviour of the unemployed

In 2002, the Czech Research Institute for Labour and Social Affairs undertook a panel survey targeted at the behaviour of unemployed people in terms of their flexibility. The survey sample was representative of the whole active population. We present here some of the findings of the survey.

Self-estimation of one's chances after loss of work influences the labour market behaviour of the unemployed person. The survey showed that people were rather optimistic about their chances of finding a comparable new job once they have lost one: 70% expected they would be able to find a job in the same occupation or profession and 62% expected same or higher wage.

In the panel of unemployed people surveyed during the first six months of their unemployment, "finding any job" was not declared as primary goal. Later in the unemployment spell (after six to nine months) the proportion of those who declared they would accept any job increased but still represented only 46% of people with basic education, 35% of those with secondary educational attainment and 24% of university graduates.

Many unemployed claimed to have "good reasons" for refusing a job. All in all, six months after having lost a job, 40% of the surveyed unemployed declared they prefer biding their time to see whether they could find a job that would be "at least as good as the one they lost"; the desired quality of jobs mainly related to the wage level.

A similar picture is obtained from the analysis of reasons given by the unemployed to explain why they still had not found or accepted a job. First, they blamed the character of job offers in terms of low wage level (this was typical of people with lower secondary and secondary educational attainment) or in terms of requirements for qualifications or educational attainment lower than what they had achieved (this was typical of university graduates).

Second, the lack of suitable jobs in the local labour market was cited as a problem (mainly by people with basic education). Low willingness and ability to adapt to new situations was also an important factor that prevented them from accepting a job, as they showed low acceptance of commuting or shift work, claimed health restrictions, etc.

The surveyed group of unemployed did not show much flexibility in terms of geographical mobility. They were not willing to relocate or accept any form of commuting (daily, weekly or monthly). The only exception was university graduates who declared higher acceptance of remote jobs and were even willing to start self-employment.

Especially wage flexibility was, even after 6-8 months of unemployment, very low. Half of the people surveyed would not accept a job involving a lower wage. Moreover, they consider finding a job with comparable wage realistic and therefore postpone job acceptance until they are offered the hoped-for wage. The authors imply, that low wage flexibility even later in the unemployment spell, may be influenced by the fact that the offered wage is not significantly higher than social benefits and at the same time the offered jobs are considered insecure. These characteristics may increase the attractiveness of "secure" social benefits.

Source: Mareš et al. (2002).

## 4. Social assistance

#### Governance

- 103. Social assistance in the Czech Republic is delivered by the Ministry and, in a devolved competence, by authorised municipalities. The Ministry has regulating and controlling powers. It is responsible for drafting relevant legislation and ensuring the application of uniform approaches to solving situations of material need<sup>46</sup> across the country. The benefit information system is centrally administered at the Ministry.
- 104. Municipalities deliver social assistance at two levels. Those with an authorised municipal office decide about benefit entitlements, pay out benefits and provide counselling. They also develop activation plans for their clients. Municipalities with extended powers are also authorised to provide emergency social assistance. "As social assistance benefits are fully compensated by the state in amounts required, municipalities themselves do not have incentives to improve the efficiency of the assistance" (Večerník, 2006). Expenditures on staffing and other administrative costs are borne by municipal self-governing budgets.
- 105. Fourteen regional self-government offices act at the intermediate level between the Ministry and municipalities. The Ministry communicates with them in terms of methodologies which are then disseminated and governed within each region. Problems and initiatives from the local level are first dealt with by a regional office and are preferably solved within their own competence, often in consultation with other regional offices. Only afterwards are they submitted to the Ministry. Regional offices also collect, from municipalities, statistical data on benefit recipients and transfer them to the Ministry. They have no first contact with benefit recipients.
- 106. Municipalities co-operate with other stakeholders on an *ad hoc* basis. EU structural funds have enhanced co-operation at the local level, especially with employers, schools or other education institutions and private job agencies. Longer-term co-operation in the area of social counselling is maintained with non-governmental organisations. "NGOs participate in policies relating to employment and social exclusion more as service providers than as partners in policy development" (Večerník, 2006).
- 107. Municipal offices are normally in close contact with district labour offices. In many municipalities social workers often meet with their PES counterparts and discuss problems. They often run joint programmes aimed at tackling local employment issues. Their co-operation is required in law but in reality it largely depends on personal relationships between the management and staff of the two offices. There is a computer interface that allows for a quick notification of the beneficiary's de-registration from the PES and immediate benefit stop by the municipality.

# Vertical structure and staffing

108. In 2006, the Czech Republic had 6 249<sup>47</sup> municipalities, of which 484 had authorised offices with competences in terms of social assistance benefit administration, 227 of these being municipalities with extended powers. When delivering social assistance, municipalities apply the case-management approach, *i.e.* each client is completely dealt with by one social worker, including determining entitlement to and payment of benefits, development of action plans, and provision of employment-oriented and social counselling. In some municipal offices however, all life situations related to families with children, including social assistance, are treated by units administering family benefits.

<sup>46.</sup> In the Czech Republic, social assistance benefits are called "benefits of assistance in material need". This report, while primarily using the term "social assistance", will also in places cite the Czech concept of "material need".

<sup>47.</sup> The City of Prague is considered 1 municipality, but it contains 22 "municipal" offices. If they were included separately the total number of "municipal" offices would be 6 270.

109. In 2007,<sup>48</sup> 1 949 staff in municipal offices were devoted to the social assistance agenda. On average each municipality employed four social workers. It is quite common that social assistance and social care are delivered by the same organisational unit. Thus the above number also includes social care and street workers who deal with most problematic groups such as homeless people or drug addicts. For instance, in the Prague 3 municipal office there were altogether nine social workers, of whom five were benefit administrators, two social assistants (*i.e.* social care workers), one street worker and one head of unit who was at the same time the anti-drug coordinator. However, this breakdown of functions is not available for all municipalities and we must use the reported full-time equivalent number of 1 949 staff dealing with all aspects of social assistance and prevention. In December 2006, the 170 169 households (families or individuals) in receipt of social assistance benefits represented 87 households per social worker. Altogether, 57 999 families with dependent children were in the state of material need. Among all recipients, 107 640 individuals<sup>49</sup> were considered employable, *i.e.* were registered with the PES (Table 16). The total caseload fell by about 30% from 2003 to 2006 (Table 17) with a similar proportional fall in spending on these benefits as a proportion of GDP (Table 18).

Table 16. Number of social assistance benefit recipients, Q4 2006

Units

	Number of recipients <sup>a</sup>	Inflow	Number of recipients in the last month of the reported quarter	Of which receiving assistance for more than six months	
All recipients <sup>b</sup>	202 432	33 211	170 169	119 346	
Employable recipients <sup>c</sup>	131 416	24 084	107 640	71 775	
Non-employable recipients <sup>c</sup>	4 933	528	4 530	3 233	
Families with dependent children	66 083	8 599	57 999	44 338	

The number of recipients in the quarter includes individuals who received benefit in only one or two months of the quarter and exceeds the stock of recipients in an average month.

Recipients refer to the number of families or individuals.

Data for employable/non-employable recipients refer only to individuals who are not in families with dependent children. Source: MLSA (2007i).

Table 17. Number of social assistance benefit recipients in the last month of the year, 2003-2006

Units

	2003	2004	2005	2006
All recipients	243 923	228 404	206 673	170 169
Families with dependent children Families without dependent children	87 870	75 311	67 462	57 999
(mainly individuals)	156 053	153 093	139 211	112 170

Source: MLSA (2007d).

<sup>48.</sup> Staff numbers represent full-time equivalents of staff as of Q4 2007 (when municipalities reported to the Ministry staff numbers and structures in the context of the intended merger of the PES with social benefit administration). We assume no major changes in staffing as compared to 2006 and we use 2007 staffing number for comparisons with 2006 client numbers.

<sup>49.</sup> This figure excludes employable adults from families with dependent children for whom data are not available.

Table 18. Spending on social assistance benefits, 1996-2006

Levels in millions of Czech koruny (CZK), and percentage of GDP

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Spending	2 295	2 944	4 243	6 527	8 311	8 431	9 299	10 181	10 127	9 605	8 722
GDP share	0.14	0.16	0.22	0.32	0.39	0.36	0.38	0.40	0.36	0.32	0.27

Source: MLSA (2007d) and author's calculations.

# Benefit eligibility criteria and sanctions

- 110. As numerous research studies have shown, income poverty and social exclusion in the post-communist countries are closely correlated with exclusion from work. This correlation is more evident in these countries than in EU15. In the Czech Republic, unemployment is the most important risk factor in terms of social exclusion. Households with both partners in work represented only 4% of poor households (Mareš, 2006). Long-term, repeated, and cumulated unemployment (both partners outside work) and combinations of these factors aggravate the risk of poverty.
- 111. In response to these findings, the Government introduced, from January 2007, a new system of assistance in material need. The system is designed to motivate recipients of social assistance benefits to actively improve their adverse social situation.<sup>50</sup> It is based on the principle that every working person must be better off than a person not in work or avoiding work (www.mpsv.cz).
- 112. Social assistance benefits are granted to persons in material need in order to assist in securing their basic living conditions. For determining the state of material need, social workers assess the overall social and property situation of the person concerned and his or her family. People jointly assessed with the claimant include his or her parents, minor dependent children, adult children if they share a household with the claimant, the spouse, and other people sharing a household with the claimant unless they declare in writing that they do not live together and do not share expenses on their needs.
- 113. A person is considered to be in the state of material need when, after deducting appropriate costs of housing, his or her income and the income of jointly-assessed people is lower than the determined subsistence level and, due to his or her age, health or other serious constraints, he/she is not able to increase his or her income through own endeavours. A person may also be deemed in material need even when his or her income equals or exceeds the determined subsistence level but this still does not suffice to ensure justified housing and related costs. Every person, regardless of the income criteria, is entitled to the provision of information and advice aimed at overcoming or preventing the state of material need.
- 114. Social workers should always undertake a field investigation when assessing the family's social situation. This includes investigation in their household, and gaining information from relevant administrations such as cadastral office, tax office or social security administration. In small offices detailed investigation is not undertaken very often because social workers are familiar with situations of all families.
- 115. Three types of benefits are provided under the social assistance system. Subsistence benefit<sup>51</sup> is paid to a person when his or her family's income, after deducting necessary housing costs, is lower than the determined subsistence level. The benefit level is determined as the difference between the determined

<sup>50. &</sup>quot;In September 2007 37.5% of Czechs agreed that social assistance benefits are being misused while 36% were undecided and 21% were against" (Sirovátka and Kulhavý, 2008).

<sup>51.</sup> In Czech: příspěvek na živobytí.

minimum levels and the actual income of the family. The standard rate of subsistence benefit is the "living minimum". In January 2007, a second lower rate called the "existence minimum" was introduced. The living minimum is considered to be the minimum income necessary for ensuring subsistence and other basic personal needs. The existence minimum is also considered to be the minimum income limit necessary for ensuring subsistence and other basic personal needs, but at a survival or breadline level. In 2007, for a single person the living minimum was CZK 3 126 per month and the existence minimum was CZK 2020 per month. These levels do not include necessary housing costs: when assessing the state of material need, necessary housing costs are deducted from the family income. The existence minimum level must never be used in relation to dependent children. S

- 116. The existence minimum introduced "carrot-and-stick" elements into the social assistance system. Individuals who fail to be active in legally-defined ways, such as providing proof of job search, participating in municipal works projects, or volunteering, are eligible only for social benefits on the level of existence minimum.
- 117. Since January 2008, the benefit rate for people who have not been in work for more than 12 months drops to the existence minimum level. At the same time, proven activity by the beneficiary and his or her family members is rewarded by increasing the benefit rate towards the living minimum level. For beneficiaries who are in work and undertaking proven steps to increasing their income from work, benefit is increased by 50% of the difference between the "living minimum" level and the "existence minimum" level. For unemployed beneficiaries who register with the PES, benefit is increased by 30% of the difference. When, at the same time, they undertake other forms of activation (such as contacting personal job agencies, applying for jobs or participating in public works programmes or other employment programmes organised by the PES or performing short-term employment mediated by the PES) benefit is increased by another 20% of the difference.
- 52. In Czech: Životní minimum.
- 53. In Czech: Existenční minimum.
- 54. "The new Act on Subsistence and Existence Minimum which came into force at the beginning of 2007... ensures equal social protection for all households by changing the way subsistence minimum is calculated. This includes a recalculation of the needs of individuals and families. The aim of this is to eliminate unbalanced social assistance benefits to different households, which means to even out disparities between the amounts of assistance awarded to families in comparison with that given to individuals" (Kotýnková, 2007).
- 55. The minimum existence level is also not applied to persons older than 55, partial invalids or parents personally caring for a child under 12.
- Originally, the Government intended to increase the subsistence level of persons who have been registered as jobseekers for more than 12 months and, according to the PES, require more intense care in terms of placement in work. However, this stipulation has never been applied and was cancelled shortly after adoption.
- This provision appears to imply that unemployed beneficiaries not registered with the labour offices are paid the "existence minimum". However under other legislation (see below and § 3 of the Act on Material Need) employable beneficiaries who are not registered are wholly disqualified. In principle, this implies that situations where the "existence minimum" is paid without any supplement should not arise. In practice, benefit is initially granted at the full rate to everybody who meets the income criteria, and a social worker only later starts monitoring the beneficiary's efforts, and after six months establishes an action plan (as described later in the main text). It seems likely that registration with the PES is required only at this stage; that the sanction applied for failure to comply with registration or other requirements is often a reduction in benefit, rather than disqualification; and that rules about the existence minimum are legislated guidelines for the reductions to be applied (as from 2008, and after 12 months not in work).

- 118. The (municipal) housing allowance is granted to a person entitled to the subsistence benefit and the (state) housing benefit<sup>58</sup> from the system of the state social support if, after deducting justified housing costs<sup>59</sup> his or her family's income would be below the subsistence level.<sup>60</sup> No allowance is granted if the person refused cheaper appropriate housing offered by his or her municipality<sup>61</sup>. The benefit is determined at a level that leaves the family, after deducting justified costs of housing, an income at the subsistence level. The housing allowance is funded from the national budget, "but municipalities are reluctant to distribute it, arguing that the state imposes a steadily growing burden on municipal self-governments without adequate compensation" (Večerník, 2006).<sup>62</sup>
- 119. The benefits are provided in cash, in kind, or in a mixed form. The in-kind form is applied when it is obvious that the recipient would fail to use the benefit according to its purpose. In this case, the municipality may also use the institution of a special recipient, *i.e.* a natural or legal person that receives the benefits on behalf of the beneficiary and uses them according to the intended purpose. In similar situations, the housing benefit may be directly used for payments of monthly rentals or other housing costs.
- 120. The legislation cites other situations under which a person may be granted social assistance even without fulfilling the above mentioned income and capability criteria. In such cases municipalities may grant emergency one-off assistance. First, in a situation when the lack of financial resources could cause serious harm to the person's health. Second when, due to unsatisfactory social background and lack of finances, the person would not be able to solve his or her problems and thus would be threatened by social exclusion. This applies to ex-offenders, people after drug addiction treatment, young people released from institutional care, homeless people and people whose rights and interests are threatened by a criminality of another person. Third, when people suffered an extraordinary serious situation such as natural disaster or an industrial incident that, due to their insufficient resources, they are unable to overcome without assistance from the state. Fourth, when the poor need to cover *e.g.* costs of issuing duplicates of their lost identification documents, or necessary overnight accommodation costs, and finally, when they need to purchase basic home equipment or pay for the child's education or leisure activities. In our report we will not refer to emergency social assistance provided under the situations described in this paragraph.

## Required labour market behaviour

121. As we already mentioned the entitlement criteria for social assistance benefits refer to the person's income situation and his or her ability to increase his or her income through own efforts. Own efforts in this respect mean own work, sale or other use of own property and enforcement of other legal entitlements and financial claims.

<sup>58.</sup> The entitlement to the housing benefit is determined according to the Act No. 117/1995 Coll. on State Social Support. A person is entitled to the housing benefit if his or her housing costs exceed 30% of the main family income (35% in Prague).

<sup>59.</sup> Justified housing costs include monthly rental up to the level of target rental, regular payments related to housing such as heating, water supply, piping away, etc., and proved necessary energy consumption. Target rental is determined in law.

<sup>60.</sup> Or, in exceptional cases, below 130% of the subsistence level.

<sup>61.</sup> This does not apply to persons older than 65 and the recipients of old-age pension.

<sup>62.</sup> The Association of Towns and Municipalities has objected to the new housing allowance on several grounds (http://denik.obce.cz/go/clanek.asp?id=6183371&hledej=p%F8ibudou), primarily: a state housing allowance already exists and the new allowance makes the system more complicated; it represents an additional administrative burden for them; it is not clear whether state funding will be related to the number of inhabitants in the municipality or to the total amount of allowances actually paid; and the municipalities have no cheaper alternative housing available for low-income recipients.

- 122. Social workers assess the work efforts of non-working clients in terms of their ability and willingness to commence gainful activities, and assess the work efforts of the working poor in terms of their efforts to increase the scope and intensity of work or undertake better-paid work. The latter requirement is considered on an individual basis. For instance, a social worker would not require a mother with minor children to apply for a second job. On the other hand, he/she would assume that a university graduate earning inappropriately low income has good chances of finding a better-paid job and would request him to undertake relevant action.
- 123. Availability for work is not required from clients older than 65, recipients of old-age pension, fully invalid persons, dependent children, people who are temporarily incapable of work (sick),<sup>63</sup> parents caring personally and round-the-clock for a child under 4 years of age or for an older severely disabled child, and people caring for another person with at least the second stage of dependency or a person older than 80 with the first stage of dependency.<sup>64</sup>
- Own efforts in terms of work are recognised when the working client undertakes job-search activities<sup>65</sup> and the unemployed person registers with the PES and fulfils obligations related to the status of a jobseeker, participates in public works programme organised by the PES, takes up a short-term job mediated by the PES, or performs voluntary work for at least 20 hours in a week while at the same time undertaking job-search activities. Employable beneficiaries who are not in work are always requested to register with the PES and fulfil all obligations related to the status of a jobseeker<sup>66</sup>. If they do not, or are deregistered by the PES, they should be, according to law, disqualified from receipt of the social assistance benefit. Municipal clients who are in work may also register with a labour office as job applicants. Thus, they would have access to all placement and related services provided by the PES and may also be referred to active labour market programmes. However the MLSA had already, before the new Act on Material Need came into force, commented that labour offices did not have staff and time capacities to consider individual cases in line with its requirements (Večerník, 2006).
- Social assistance beneficiaries who have been registered with the PES for more than 12 months may be requested to take up a "job" under the public works programme or take up a short-term job<sup>67</sup> mediated by the PES providing that the job corresponds to their health condition and is accessible by public transport. If referred by a labour office, they must also participate in "targeted programmes for tackling employment" that labour offices organise beyond standard active labour market programmes. When refused, they will no longer be considered persons in material need and will lose entitlement to social assistance benefits. In fact, any evidently insufficient demonstration of efforts to tackle one's situation gives grounds for disqualification<sup>68</sup> from the receipt of benefits.<sup>69</sup> In justified cases, however, a social assistance body may decide that the benefit will be provided in spite of insufficient efforts.

Both the Ministry and the interviewed social workers stated they had no major problems with abuse of the system through false short-term sickness.

<sup>64.</sup> The first stage corresponds to light dependency on care from another person; second stage: medium dependency; third stage: serious dependency; and fourth stage: total dependency.

Recognised job-search activities include making use of private job agency services, job adverts, responding to on line job offers, sending CVs and motivation letters to employers, etc.

<sup>66.</sup> In fact, they have the same obligations as jobseekers receiving unemployment insurance benefits. For more details see Section 3.

<sup>67.</sup> In compliance with the Act No. 435/2004 Coll. on Employment, short-term employment means employment agreed for the period less than three months.

Neither the Ministry nor municipalities have statistics on the number of benefit stops, either partial or full. According to the Ministry, there have not been many cases when the entitlement to the benefit was removed.

- 126. The same criteria apply to people jointly assessed with the beneficiary, *i.e.* his or her family members and other people sharing his or her household. When any employable family member fails to participate in activation measures, his or her part of benefit entitlement will be lost but his or her income will still be taken into account for the assessment of the overall situation of the family and determination of benefit entitlement.
- 127. In practice, the benefit is at the beginning granted to everybody who fulfils the income criteria. Afterwards, the social worker starts monitoring the client's efforts in terms of work. If the client undertakes sufficient action, his or her benefit is increased by respective amount. "If they choose not to be active in any of these ways, they will be eligible only for social benefits on the level of the existence minimum" (Kotýnková, 2007). This practice is applied until when the activation plan is developed for the beneficiary. However, de-registration from the PES and, in case of a long-term unemployed person, failure to participate in a public works programme or take up short-term employment will always lead to loss of entitlement.
- 128. After six months of the benefit receipt a social worker develops for the client an individual action plan. The plan analyses the reasons that lead (and keep) the person and his or her family in material need and identifies steps necessary for their overcoming. Labour offices, too, may develop individual action plans for their clients while they must always be offered to young jobseekers. The plan developed by a municipal social worker should follow the logic of the plan developed by the PES. In fact, the scope of the "social assistance" plan is wider as, in addition to employability measures, it covers all the other aspects of the client's material need. Thus, it would also identify the ways of increasing the client's income by using his or her property and enforcing his or her legal entitlements from other social schemes, and financial claims. If relevant, the social worker would also propose steps for overcoming the client's indebtedness.
- 129. Action plans are developed by municipal social workers and cannot be outsourced to external providers. Municipalities apply the case-management approach according to which each client is dealt with by one social worker, including the development of an action plan. Activities in the action plan and their time schedule are determined by the social worker, but in order to ensure achievement of results social workers seek some agreement with the client.
- When the client fails to fulfil the tasks determined in his or her action plan his or her benefit may be reduced or lost. In their software application municipalities have pre-defined impacts of clients' behaviour in terms of sanctions. The social worker simply ticks off respective items describing the client's behaviour and the system automatically undertakes an action in terms of benefit sanction. De-registration from the PES accounts for almost 100% of the reasons for removal of the benefit entitlement. Still, such cases are not numerous. According to social workers, the clients would carefully watch their behaviour and try to adhere to their obligations. Moreover, thanks to individualised approach, social workers can remind their clients to increase their efforts.
- 131. As the mandatory development of action plans was only introduced in January 2007, the first action plans started to be developed in July 2007. At the time of the author's consultations with municipal social workers<sup>72</sup> they still had little experience and insufficient basis for efficiency evaluation.

<sup>69.</sup> According to the Act No. 111/2006 Coll. they are no more considered as persons in material need.

<sup>70.</sup> Registered with the PES for more than 12 months.

<sup>71.</sup> When agreed, the action plan may be developed even earlier, *i.e.* before the end of the sixth month of the benefit receipt.

<sup>72.</sup> In November 2007.

- Municipal offices do not place their clients into work. According to law they are not licensed to provide placement services. However, some social workers maintain informal contacts with local employers who notify to them their recruitment needs. However, contrary to the practise applied in labour offices  $vis-\dot{a}-vis$  jobseekers, the social assistance clients are not obliged to apply for jobs when referred by the municipality.
- 133. Employable recipients of the social assistance benefit are obliged to be active from the very beginning of their benefit spell. When submitting a benefit claim they confirm by signature they are aware of their obligations, including activation for work. During the first six months their job-search activities are mainly guided and verified by the PES. Still, the municipal office also requests confirmation of their job-search activities. The number of required activities is not regulated. The beneficiaries who are in work are not obliged to register with the PES, but their job-search activities are verified by social workers. Although there is some formalisation in reporting job-search activities *vis-à-vis* the municipality, the social workers know their clients well and can assess whether they undertake sufficient efforts.
- Social workers do not apply any definition of a suitable job. In regions with low job creation they might require from their clients some mobility for work but inappropriate travel and accommodation costs would always be recognised as constraints on the side of the beneficiary. With respect to clients registered with the PES, labour offices apply the suitable job criteria according to the Act on Employment and their internal practice.<sup>74</sup>
- 135. Clients are normally requested to report to social workers in person once in a month but the intervals are set according to individual cases. They also depend on the labour market situation in the region. If there is no chance to employ their clients, social workers would call them to report on a less frequent basis. Clients may also ask for an interview with a social worker in between the determined dates. This, in fact, is quite common, especially when the client has spent all his or her money and seeks help from the municipal office.
- 136. A first intensive interview with the client takes place when submitting the benefit claim. In the course of the following week, the first steps in response to his or her situation are outlined. Afterwards, social workers hold intensive interviews with their clients during every personal contact, with the intensity of contacts being set individually. In fact, when the client is requested to report about his or her job-search activities, the social worker will interview him about what he/she has done, will analyse the situations and problems he/she has encountered and will outline future steps or modify the existing activation plan. Intensive interviews can also take place at the request of clients. Some clients even come every week, mainly when they failed to manage with their benefit for the whole month.
- 137. Social assistance recipients and jointly-assessed individuals are obliged to notify in writing any change decisive for the entitlement to the benefits, and, when invited by the municipal office, prove such facts, within eight days. When they fail, the municipal office may, after a first warning, refuse or stop the benefit. In such cases, beneficiaries may even be fined up to CZK 10 000. Municipalities sometimes undertake random controls and verifications of facts but this is not frequent. They say they prefer focusing on individual work with clients. Municipalities co-operate with other administrations, which are obliged to provide, without undue delay, all information necessary for assessing the client's situation. For controlling purposes the databases of the state social support, pension and social assistance administrations are interconnected. Municipalities also have quick access to the tax office records about the client.

<sup>73.</sup> According to Act No. 435/2004 Coll. on Employment only labour offices and licensed agencies may provide placement services.

<sup>74.</sup> For more details on suitable job criteria see Section 3.

# 5. Changes announced by the Government in the social system and labour market policy

- 138. In March 2008, the Minister for Labour and Social Affairs announced further planned changes to the social system that should enhance its activation character. The Government programme is promoted by mottos such as "Working individuals must be better off than those who are not in work", "People undertaking efforts must be better off than passive individuals", and "Solving your situation quickly does pay" (MLSA, 2008).
- 139. In terms of active labour market policy, the announced changes include mandatory development of individual action plans for jobseekers registered for more than five months. Labour offices will also be obliged to develop one upon the request of any jobseeker. Sanctions for jobseekers registered for more than five months are extended to include de-registration on grounds of failure to fulfil tasks determined in the individual action plan and refusal to participate in a retraining programme. For the purposes of the labour market policies, young jobseekers above 20 years of age will no longer be considered as disadvantaged on the labour market.
- 140. Other changes to the system of unemployment support are planned. The benefit period will be reduced by one month for all categories, *i.e.* to 5 months for jobseekers under 50, 8 months for those aged 50 to 55 and 11 months for jobseekers aged 56 and over. Replacement ratios will be increased to 65% in the first 2 months of unemployment and 50% during the second 2 months, remaining at 45% for the remaining period. The benefit will not be granted to a person who over the last 6 months repeatedly (at least twice) voluntarily left employment mediated by the PES. The government will also introduce stricter financial sanctions<sup>75</sup> for employing undeclared workers.
- 141. In the area of social assistance the changes, too, should enhance the activation incentives in the system. In relation to employable beneficiaries, the benefits will be determined according to the length of support and undertaken activities. In order to receive the benefit at the level of the "living minimum", people receiving social assistance benefits for more than six months will have to undertake voluntary work for a monthly minimum of 20 hours. If not, they will only receive the benefit at the level of the "existence minimum". Activities performed on a larger scale than 20 hours monthly will be rewarded by a higher benefit level. Legislation will be amended to make it easier to work on a voluntary basis.
- 142. In terms of benefit payment, the Government will issue detailed guidelines that municipalities will have to follow when deciding about the in-cash or in-kind mode of payment. The Government will also specify in detail the situations under which a municipality will have to apply the institute of a special recipient.

<sup>75.</sup> Increased from the current CZK 2 to 5 million.

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