

A stylized map of the Czech Republic composed of a grid of dots. Some dots are grey, some are red, and some are white, creating a dotted outline of the country's shape.

Youth Employment in the Czech Republic

And the Standpoint of the Czech-Moravian Confederation
of Trade Unions (ČMKOS)

PAVEL JANÍČKO
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- Employment or, more precisely, youth unemployment, became a visible problem on the labour market in the Czech Republic already at the beginning of the crisis, in other words, 2009.
- It is apparent that resolving this problem requires more than a few specific measures aimed at this population group, but concerns the overall state of the labour market, the management of economic policy and the overall conception of social policy.
- ČMKOS believes that the approach of the current Czech government in this area is not helping to resolve the issues at hand, but rather is exacerbating them.



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Introduction

This study is devoted to the issue of youth employment in the Czech Republic, especially over the past five years. This period has been characterised also in the Czech Republic by the onset of the economic crisis, the consequences of which have negatively affected the labour market. This negative effect has, of course, also manifested itself with regard to youth employment. Even though the situation in this area in the Czech Republic is still not as bad as in some other EU member states, even young Bohemians and Moravians have not been protected from certain difficulties: youth unemployment has grown in recent years even in the Czech Republic and, what is more, the future of young people is highly uncertain, especially in connection with the antisocial policies of the current Czech government. This study is based on the opinions of and approaches taken by Czech trade unions (ČMKOS), which perceive and criticise both current and future risks for young people on the labour market and are trying to formulate both critiques of this situation and suggestions for resolving it.

The data used in the study were taken from the Czech Statistical Office (CSO) and the Ministry of Labour and Social Affairs (MoLSA). As regards CSO outputs, the required data were not available for 2011; nevertheless, in combination with data from MoLSA, it is generally possible to reliably assess basic trends up to the present.

For a better understanding of the numbers and graphs presented in this paper, at this point we shall provide certain important definitions.

Definition of registered unemployment

Registered unemployment is defined as the number of »available« persons registered by the employment offices at a given time.

Available people are job applicants who are ready to start working immediately upon being offered a suitable job. Job applicants who are in prison, on work disability, registered in retraining courses or working a short-term job and job applicants who are receiving maternity benefits or unemployment benefits while on maternity leave are not considered available.

Unemployment rate according to the Czech Statistical Office's methodology (ILO methodology)

Unemployment rates are ascertained using sample surveys conducted by the Czech Statistical Office (CSO), which are based on the ILO methodology and are also used by Eurostat (the statistical office of the EU).

All persons aged 15 years or more and who also fulfil the following three necessary conditions in the monitored period (reference week) are deemed unemployed:

- they were not employed;
- they were actively seeking work;
- they were ready to start work; in other words, during the reference period they were available immediately or within 14 days to begin doing a paid job or to work in their own business.

If persons do not fulfil at least one of three mentioned conditions, they are classified as employed or economically inactive. The only exception is the group of people who are not seeking a job because they have already found a job and are able to begin work within 14 days. Under EUROSTAT's definition, such persons are also classified as unemployed.

Graduates

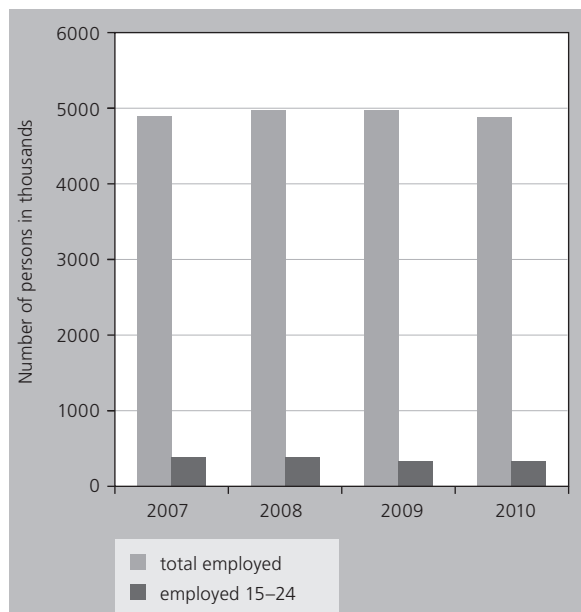
A graduate is a job applicant who is registered at the employment office and who completed his or her studies successfully less than two years previously.

1. Development of Employment and Unemployment according to Age Criteria

In this chapter, we will be looking at the development of employment and unemployment rates in the Czech Republic with an emphasis on young people. In terms of the timeframe, data mapping developments since 2007 are used. This period has not been chosen at random: the purpose is to map the impact of the economic crisis, whose primary negative effects began to manifest themselves in the Czech Republic in the second half of 2008. Of course, this affected the situation on the labour mar-

ket substantially, not only in the form a sort of one-off shift in the year in question, but the basic tendencies related to this development are apparent even at this time and are probably of a long-term nature.

Figure 1: Number of employed in the Czech Republic (ILO methodology)

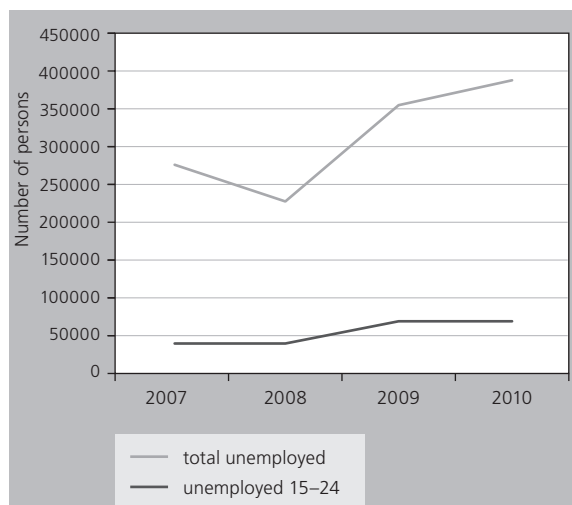


Source: CSO.

It is apparent from the results of the sample surveys conducted by the Czech Statistical Office that the number of employed people in the Czech Republic trended slightly upward immediately prior to the crisis, but this tendency was cut short by the development of the crisis in 2009 and 2010. Specifically, the number of economically active individuals fell by 110,000 compared to 2008. We can see a similar trend even in the number of economically active individuals in the 15–24 age bracket, with the number of economically active individuals in this age range falling from 382,000 in 2007 to 326,000 in 2010.

The same dependence (although in the opposite direction) can also be seen in the development of the number of unemployed.

Figure 2: Number of unemployed according to ILO methodology

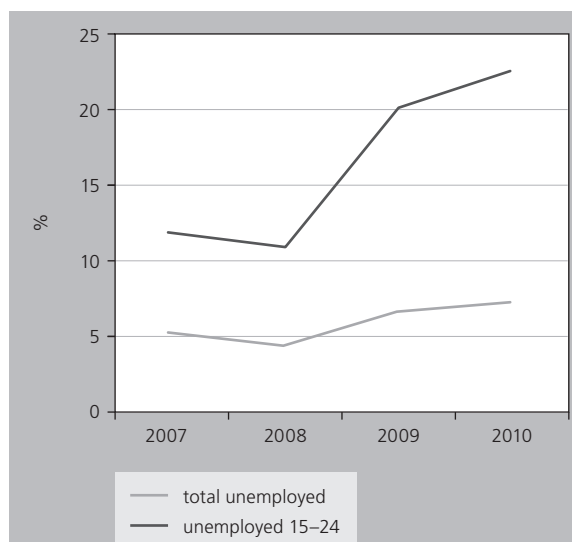


Source: CSO.

The number of unemployed people according to ILO methodology increased between 2007 and 2010 by more than 112,000 to 388,700. This is thus an increase of 40 per cent. Even unemployment in the 15–24 age group grew, from 44,900 to 73,400.

If we look at the same data converted into percentage terms, then the results speak even louder:

Figure 3: Unemployment rate according to the ILO methodology

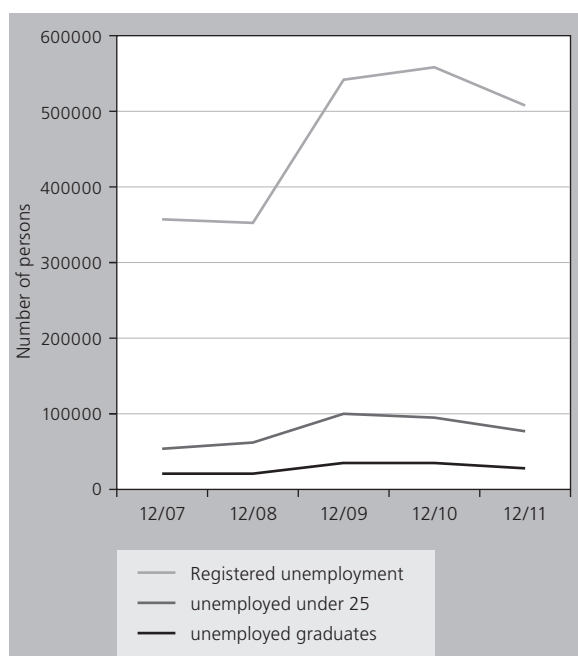


Source: CSO.

The unemployment rate according to this methodology jumped from 5.3 per cent in 2007 to 7.3 per cent in 2010. The unemployment rate in the 15–24 age group grew even more, essentially doubling since 2007 and increasing from 11.8 per cent in 2007 to 22.5 per cent.

Of course, far from all of the unemployed in this age group are registered with the employment office, so the numbers differ somewhat from registered unemployment.

Figure 4: Registered unemployment of youth and graduates



Source: Ministry of Labour and Social Affairs of the Czech Republic.

Figure 4 provides us with a basic overview of the development of registered unemployment in connection with the economic crisis. These data, presented by the employment offices, are usually considered to be the relevant benchmark and statistically more credible than the data provided by the CSO, which are based on sample surveys.

According to such data, unemployment began to accelerate at the beginning of the economic crisis (end of 2008) and this acceleration continued at great intensity essentially until the beginning of 2010. The highest unemployment levels so far were attained in February 2010 when 583,135 job applicants were registered at the em-

ployment offices and the unemployment rate was just under 10 per cent. This means that over 17 months, the number of unemployed grew by 271,430. In other words, in the period that can be termed the apex of the crisis, unemployment increased by 87 per cent compared to the initial state.

During 2011, the number of unemployed registered at the employment offices fell by more than 50,000. It is highly debatable whether we can credit this drop in unemployment to positive developments on the labour market, however; rather, it is an illusion caused by the removal of people without work from employment office records.

In this connection, some estimates say that the number of people who would like to work but cannot find suitable employment is much higher than is shown by the registered unemployment data.

In terms of the age structure of the unemployed, the economic crisis somewhat changed the existing picture. The percentage of unemployed in the younger age categories increased due to the fact that the first wave of dismissals (layoffs) during the crisis strongly affected them, too. Contributing to this development is also fact that older employees, threatened with unemployment, went into early retirement, especially in the second half of 2011.

Youth unemployment may end up being a particular problem (especially in the near future): the unemployment rate of this group continues to be higher than the average unemployment rate, even though the number of young people at the end of 2011 fell slightly compared to the previous year, by 3,000 persons. Even this group was affected by the abolition of legislative guarantees. Effective as of 1 January 2009, the age threshold of persons entitled to priority attention from the employment offices was initially reduced from 25 to 20, and then the exhaustive list of groups of applicants entitled to such attention was completely abolished (as of 1 January 2012). In addition to job applicants under 20, therefore, applicants above 50 lost this express protection (this will be addressed in what follows).

2. Development of Employment and Unemployment According to Level of Education

Figures 5 and 6 clearly document the structure of the productive (employed) population in the Czech Republic over the past few years. Its main characteristic feature is the increasing proportion and number of university educated people: between 2007 and 2011 their number rose from 716,000 to 911,500, in other words, by around 30 per cent. At the same time, the share of university educated people in total employment grew from approximately 15 per cent in 2007 to almost 20 per cent in 2011. This trend could be labelled positive if it led to an increase in the employment of these graduates and generally the younger population as a whole. As the youth employment rate is falling, however, this quantitative criterion does not guarantee a better position on the labour market and a higher-quality structure of employment generally. An important condition for the effective utilisation of education on the labour market is undoubtedly also a match between the structure of education and the needs of the labour market, which, of course, requires the implementation of effective development strategies both in the economy generally and on the labour market. Also required is to find the appropriate regulatory mechanisms in the field of education and to shift away from a unilateral preference for market principles in this area.

When viewing unemployment according to level of education, unemployment in the past two decades in the Czech Republic has generally been of the »traditional« form shared for a relatively long time by all so-called transforming countries. The most vulnerable groups were persons with a relatively low level of education and skilled workers; conversely, lower unemployment was enjoyed for a long time by university graduates. This was related to the nature of the transformation, which was very destructive of traditional production and manufacturing sectors and, conversely, led to the expansion of certain types of services in the financial and legal sectors, which, unfortunately, resulted in the aforementioned distortion even with regard to the education system as a whole. This »competitive« advantage enjoyed by graduates in the economic and legal fields in particular has of course been lost with the overall economic collapse and the saturation of demand for these types of graduates. In the past few years, there has been a (for now) slight increase in unemployment among university graduates,

with their numbers increasing from 14,000 to 28,500 persons between 2007 and 2011.

These trends and issues become even more apparent if we look at the development of unemployment from the point of view of the education structure.

Figure 5: Number of employed by level of education

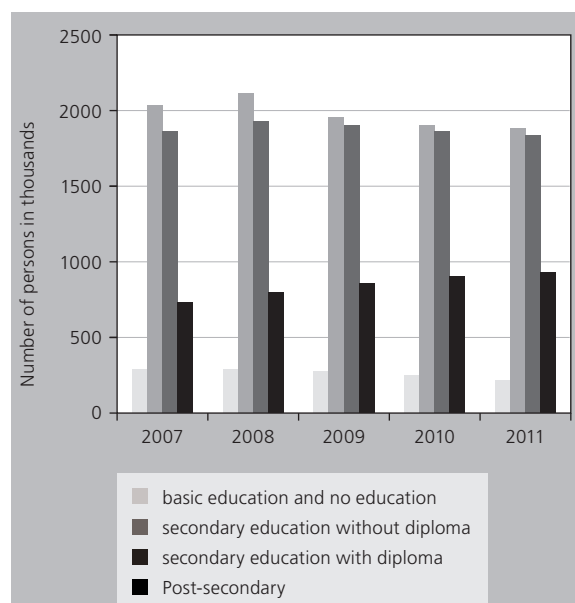
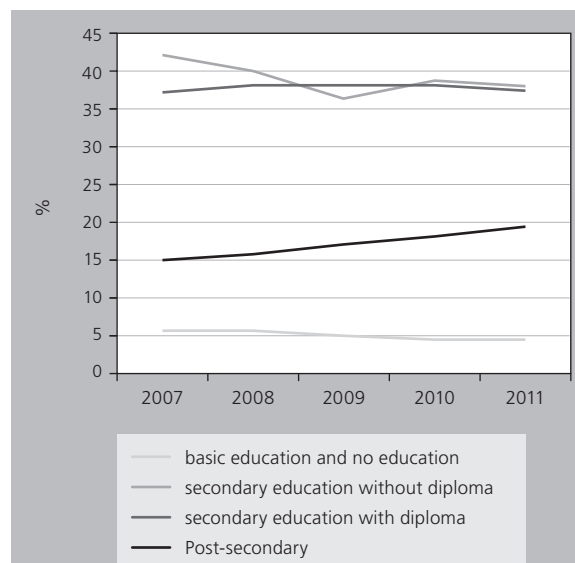
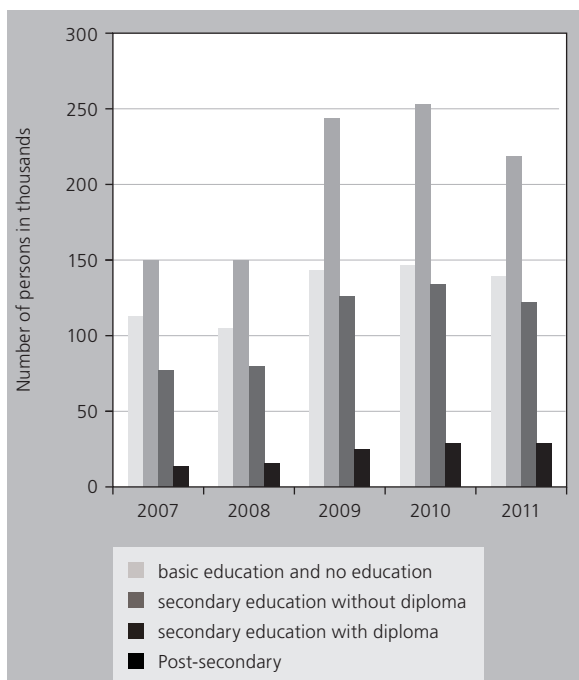


Figure 6: Share of level of education in total employment



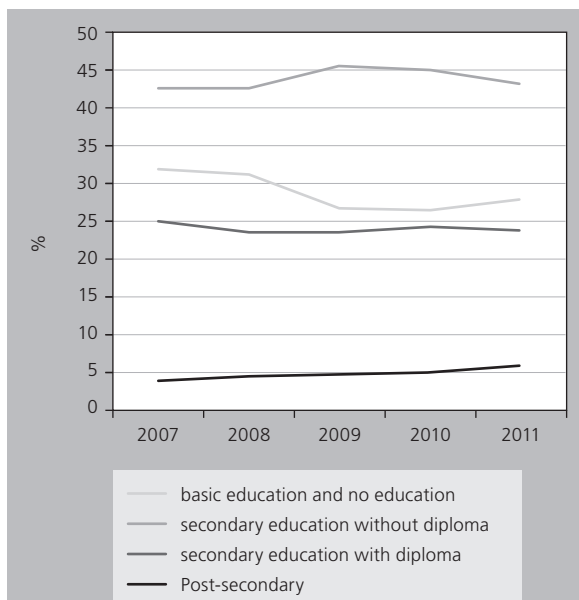
Source: Ministry of Labour and Social Affairs of the Czech Republic.

Figure 7: Number of unemployed by level of education



Source: Ministry of Labour and Social Affairs of the Czech Republic.

Figure 8: Unemployment by level of education



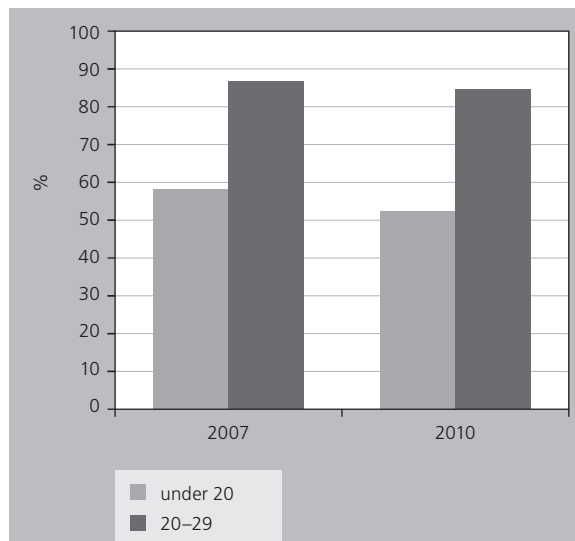
Source: Ministry of Labour and Social Affairs of the Czech Republic.

3. Wages by Age – Minimum Wage

3.1 Wages by Age

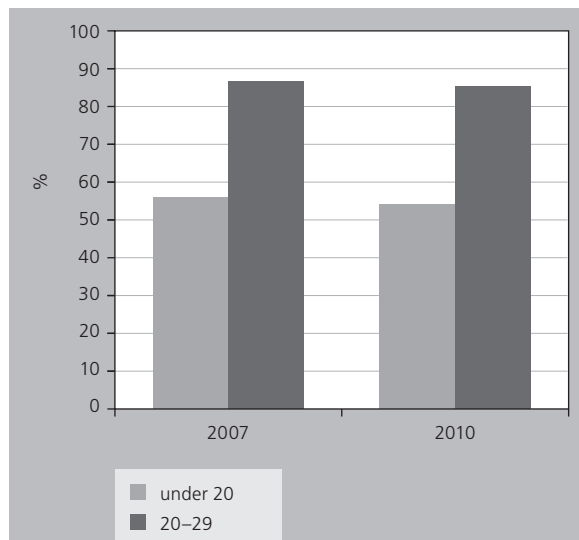
An important factor that also has an influence on the inclusion of young people in the workforce is undoubtedly the level of their wages. ČMKOS often runs across »liberal« interpretations of this relationship, according to which the wage level enjoyed by employees (job earnings) and the willingness of employers to hire are in a reciprocal relationship: in other words, (»excessive«) wage growth is, according to these theories, one of the causes of the rise in unemployment. For this reason, it is worth looking at the wage relations characterising the younger generation and putting this data in the context of the development of employment and unemployment in these age groups.

Figure 9: Wages of younger age categories as a share of the total average wage in the national economy (business sector)



Source: Ministry of Labour and Social Affairs of the Czech Republic.

Figure 10: Hourly wages as a share of the overall average in the Czech Republic (business sector)



Source: Information system on average earnings for 2006–2010, CSO, Prague.

The data presented map development based on hourly wages in the business sector and non-business sector (government and public services, where the objective of the economic activity is not profit making) and expresses the relationship between earnings in groups of people under 20 and people in the 20–29 age group and the society-wide average. These data in both sectors of the economy show that the income ratio of the younger age categories fell with regard to total earnings (wages) in the Czech national economy in the period in question. Even the fact that in absolute numbers there was a certain growth (nominal) in wage levels in this period – for example, wages for the 20–29 age category grew by more than 8 per cent in the non-business sector and by 6.7 per cent in the business sector – has no bearing on this. It is thus possible to empirically prove in this way that wage restrictions would not have a positive influence on increasing young people's employment chances and that it is necessary to focus on other factors.

3.2 Minimum Waged

In this connection, one should not dismiss another important item that also influences youth employment, the minimum wage, which in the Czech Republic is regulated by law. At this time, the issue of its adjustment (valorisation) is highly contentious, as is the issue of differentiated determination of the minimum wage for the various categories of employees (for example, for the disabled or for young people).

According to the original proposal, as of 1 January 2012, even reduced minimum wages for certain categories of employees should no longer have been applied, the reason being that such a practice would amount to discrimination. Nevertheless, representatives of the disabled in particular objected that such an increase in minimum wages poses a threat to their jobs. The minimum wage differentiation was thus retained in the following form:

The basic minimum wage in the case of the stipulated 40-hour working week amounts to CZK 8,000 per month; in a case of restricted employability, it amounts to:

- 90 per cent of the basic minimum wage (that is, CZK 7 200) in the case of first-time employment for an individual aged 18 to 21 years, for six months from the date of establishment of the employment relationship;
- 80 per cent of the basic minimum wage (that is, CZK 6 400) in case of an employee under the age of 18;
- 75 per cent of the basic minimum wage (that is, CZK 6 000) in case of an employee who receives a partial disability pension;
- 50 per cent of the basic minimum wage (that is, CZK 4 000) in case of an employee who receives a full disability pension or a minor employee who is fully disabled but does not receive a disability pension.

In this connection, ČMKOS criticised in particular the fact that for almost five years, the minimum wage has not been adjusted, as shown by Table 1:

Table 1: Overview of minimum wage adjustments

Period	In CZK per month
February 1991	2 000
January 1992	2 200
January 1996	2 500
January 1998	2 650
January 1999	3 250
July 1999	3 600
January 2000	4 000
July 2000	4 500
January 2001	5 000
January 2002	5 700
January 2003	6 200
January 2004	6 700
January 2005	7 185
January 2006	7 570
July 2006	7 955
2007 to 2012	8 000

Source: ČMKOS Report.

For this reason, ČMKOS, with regard to the long-term stagnation of the minimum wage, which thereby eliminated its protective function, demanded an increase that would at least compensate for the growth of consumer prices since the last adjustment, namely 15 per cent, taking it to CZK 9 200. In connection with this, the basic guaranteed wage would have to increase by the same amount.

Unfortunately, the minimum wage had not been adjusted by 1 January 2012 and the minimum wage in 2011 amounted to only 32.9 per cent of the average wage.

4. Changes in Legislation and Other Documents Regulating Employment

Right-wing governments have been in power in the Czech Republic since 2006, and they have focussed on labour market reforms. Their ideological guideline is the principle of »liberalism« and their approach can be summarised as follows:

- emphasis on insufficient flexibility of the labour market and, conversely, its »rigidity« as the cause of high unemployment;
- legislation restricting the way businesses deal with employees is deemed the source of rigidity on the labour market;
- in connection with the above, the Labour Code and the Employment Act in their present form are attacked;
- activating groups excluded from the labour market, with the emphasis on the need to eliminate »inactivity« and increase individual responsibility, is stated as the primary way to increase employment, as if this was independent of job availability or quality;
- in connection with the above, the notion is advanced that the various kinds of social assistance and benefits are demotivating and thus the benefit systems need to be more focused;
- claims are repeated that the labour force is too »expensive« and that it is necessary to increase personnel costs in response to allegedly high indirect labour costs;
- there is a discussion on the need to improve work placement (evidently with the objective of involving private placement agencies);
- there is a permanent underestimation of expenditure on AEP, with the focus on supporting business activities and eliminating abuses.

4.1 National Reform Programme

Coordination of economic and social policy generally – including employment policy – within the EU is also taking place in the Czech Republic, based on what is called the national reform plans. The national targets in this area ensue from the primary target formulated in the EU's Europe 2020 Strategy, which is to increase overall employment in the 20–64 age bracket to 75 per cent by 2020.

To meet this target, the Czech Republic would like to contribute by striving to achieve the following by 2020:

- increase the employment rate of women aged 20–64 to 65 per cent;
- increase the employment rate of older employees aged 55–64 to 55 per cent;
- decrease the unemployment rate of younger people aged 15–24 by one-third compared to 2010;
- decrease the unemployment rate of people with lower qualifications by a quarter compared to 2010.

As concerns, for example, the National Reform Programme (NRP) for 2012, the chapter entitled *»A Functioning Labour Market and Social System as a Condition of a Competitive Economy – National Employment Plan«*, contains a number of subchapters whose headings reflect the government's *»reform«* efforts. Examples include *»Modern Social Systems and Labour Law«*, *»Making Work Placement More Effective«*, *»Making Labour Law More Flexible«*, *»Innovative Active Employment Policy Instruments«*, *»Integration in the Labour Market«*, *»Incorporating the Disabled into the Labour Market«* and *»Youth Employment«*.

In the text it is possible to find general passages that are even broadly acceptable in terms of ČMKOS's priorities and approaches:

»The aim of the reforms is to increase employment with a focus on young people, women and those of pre-retirement age, and to provide for an adequate labour force in professions and sectors with strong development potential and improve worker mobility. This can be attained by changes in the education system and vocational training, lifelong learning and study programmes, targeted retraining programmes, short-term and targeted economic migration and activation of groups that have hitherto been excluded from the legal labour market for various reasons. The result of the reform measures will be a flexible labour law with an effective system of controls and enforcement of protection; an effective job placement system; sufficient provision of services that enable a work–life balance; a simple, effective and controllable social system that supports beneficiaries; and a motivating policy for the social inclusion of excluded groups.«

or:

»The Czech Republic considers a functional, flexible and open labour market and greater employment – especially in an environment in which certain groups are for various reasons threatened by high structural unemployment – to be the best way of eliminating poverty and social exclusion in society.

Social policy complements employment policy and other policies in those areas of poverty and social exclusion that cannot be resolved for various reasons by integration into the labour market. Even in these cases, based primarily on the principle of social solidarity as the key component of a modern welfare states, it is necessary to reflect the need for sustainability as regards public expenditure. All measures should thus have a long-term, pro-growth character.«

These targets are, however, devalued or directly debased by the methods that the government would like to use to attain them. The proposed solutions are based on familiar clichés that do not correspond to reality and are at direct odds with the ČMKOS Programme. This concerns statements such as the following:

»the problem with the Czech economy is the high effective taxation of labour, which leads to high labour costs and, thereby, unfavourably influences price competitiveness.

[I]t is necessary to reduce in particular non-wage labour costs in industrial sectors. As part of the tax reforms, it is necessary to shift the tax burden to consumption and, at the same time, to reduce the taxation of labour. For these reasons, it is not appropriate to unilaterally raise corporate income tax without decreasing the effective taxation of labour, as even such taxation is reflected in labour costs.«

In this connection, we again provide a comparison from which it is clear that the level of labour costs in the Czech Republic is many times lower than in the *»old«* EU countries:

Table 2: Average monthly labour costs in selected EU countries (euros)

	2008	2009	2010	2011
CZ	1 201.2	1 267.2	1 306.9	1 350.1
Denmark	4 728.7	4 894.2	5 055.0	5 149.6
Belgium	4 311.5	4 535.7	4 678.0	4 768.5
France	4 109.4	4 203.0	4 331.3	4 409.4
Germany	4 005.0	4 081.0	4 137.2	4 225.3
Austria	3 880.0	4 077.9	3 328.8	4 287.4
Poland	1 026.7	1 099.6	1 106.8	1 148.8
Slovenia	947.0	966.9	1 005.7	1 073.0

Source: Eurostat.

ČMKOS has long been critical of government policy because of its one-sided focus on such solutions, which consist primarily of cuts to the social safety net (in line with the »liberal« conception of economic and social policy). The approach omits the irrational handling of public funds (obtained from employees and citizens via, for example, VAT and other types of fees and levies), constant pilfering in the form of over-priced public contracts and ever increasing corruption.

The National Reform Programme is built on repressive and restrictive measures and approaches towards employees and the unemployed. It prefers what is termed »support« for private business and competition, which consists particularly of reducing (not raising) taxes and other similar burdens on businesses. At the same time, it refuses to take active steps aimed at supporting economic growth and job creation. As concerns the position of employees on the labour market, it emphasises flexibility, but entirely ignores the element of »security«. ČMKOS believes that it has sufficiently proven that this approach does not lead to growth in employment, but instead has led to crises and massive growth in unemployment. For this reason, it absolutely rejects them.

4.2 Amendments to the Employment Act

During the period under review, a number of amendments to the Employment Act have taken place, with a negative impact on the position of young people on the labour market.

As of 1 January 2009, the provision according to which the period of preparation for a future profession (period

of study) was included – albeit to a limited extent – in the effective period for receiving unemployment benefit was repealed. This meant a substantial reduction in the possibility for young people to receive benefits if made redundant.

As of 1 January 2011, further amendments negatively affecting the position of young people on the labour market, thereby increasing the likelihood of their being made redundant and reducing their chances of returning to work, were made. Such amendments mainly concern the following:

- reduction in unemployment benefits for persons who give notice without good reason or leave on the basis of an agreement with the employer;
- abolition of the possibility of additional earnings while receiving benefits (in fact, termination of the concept of non-conflicting employment);
- abolition of the possibility of receiving severance pay at the same time as receiving unemployment benefits.

As of 1 January 2012, the Employment Act was amended further, again with a negative impact on the employment of young people. The amendments include the following:

- Removal of the hitherto exhaustive list of groups who enjoyed increased protection on the labour market, including, among others, the category of natural persons under 20 years of age, pregnant women, nursing mothers and mothers up to the ninth month following birth and natural persons caring for children under 15 years of age. This means, essentially, that these groups – which

comprise mainly younger people – enjoy less protection on the labour market. Only general provisions on the protection of vulnerable groups and specific protection of the disabled have been retained in the Employment Act.

- Redefinition of the term »suitable employment« and the related introduction of a new reason for exclusion from employment office records.

A new reason was introduced for excluding job applicants from employment office records, namely the job applicant's refusal to perform public service at the proposal of the Employment Office. This can be up to 20 hours a week after being registered with the Employment Office continuously for two months. Public service can be ordered upon agreement with the local authorities; this work is unpaid and includes assistance work in health care facilities or street cleaning. In this connection, the definition of suitable employment has been modified and weakened. Now, suitable employment for a job applicant includes publicly beneficial work to the extent of up to half of statutory weekly working hours, provided this work corresponds to the applicant's state of health, regardless of his or her qualifications. For unemployed young people (and others), this can mean that they will actually be forced to perform assistance work, thereby losing their qualifications and reducing the likelihood of returning to the labour market.

Now even persons »systematically preparing for a future profession« – students – can now be registered as job applicants if they fulfil the condition that they have been employed or carried out some other gainful activity in the past two years for at least 12 months. Education (studies) is thus further losing its special status and its protective character in relation to the labour market.

A new obstacle to being registered as a job applicant is if a natural person leaves a job of his/her own volition, without good reason or upon agreement with the employer, in the sense of suitable employment mediated by the regional branch of the Employment Office or if the employer terminates such employment with a natural person because of an especially gross breach of obligations arising from legal regulations pertaining to the work performed. Such persons may again be registered with the Employment Office only after six months.

In the new Employment Act, the »decisive period« in which an applicant is required, in order to be entitled to unemployment benefits, to accumulate – via employment or other gainful activity – a pension insurance period of at least 12 months, has been reduced from three to two years. This means that the position of the unemployed – including, of course, those in the lower age brackets – has been weakened, and that it is harder for them to obtain unemployment benefits.

In connection with active employment policy, the Czech Employment Office may now work with private agencies in its job placement efforts. Based on an agreement between an Employment Office and a private placement agency, and with the applicant's approval, certain groups of job applications may be transferred to the private placement agency, which will act as their recruitment agent for a certain period of time. The placement agency may receive a consideration specified by law for its work: CZK 5,000 for agency work, CZK 1,250 for a job placement for an indefinite period of time and CZK 500 if the employment lasts at least six months.

4.3 ČMKOS's Position

Within the framework of the legislative process related to the above amendments to the Employment Act, ČMKOS fundamentally rejects a solution based on the »philosophy« that unemployment and problems on the labour market are particularly a result of »excessive protection of employees under labour law and high non-wage labour costs«. It thus fundamentally opposes efforts via various administrative measures to complicate and restrict the access of the unemployed to unemployment benefits under the pretence of abuses. ČMKOS also opposes and fundamentally disagrees with replacing a full-fledged active employment policy with forced-labour mechanisms, which cannot act as a substitute for real quality jobs and, furthermore, which leave the unemployed exposed to bullying. It also emphatically rejects efforts to privatise and »asset-strip« active employment policy via »shared job placement«.

ČMKOS also does not agree with curtailing or repealing provisions aimed at the explicit protection of vulnerable groups on the labour market, including younger people or students.

4.4 Labour Code

The amended Labour Code has been in force since 1 January 2012. It contains the following changes, among others:

- Change to rules (duration, chaining) for employment relationships concluded for a definite period of time

The period of time for which it is possible to repeatedly extend an employment relationship concluded for a definite period of time has been increased from two to three years. This means that it is easier to enter into this type of employment relationship, thereby further impeding standard employment relationships concluded for an indefinite period of time or making them more disadvantageous.

- Change in the amount of statutory severance pay (now according to number of years employed)

The amount of severance pay upon termination of employment for organisational reasons is now dependent on the duration of employment at a given employer prior to dismissal, which in practice means a decrease in severance pay for younger employees.

- Prolongation of the equalisation period in connection with flexible scheduling of working hours and new rules for crediting overtime work to the working hours account

ČMKOS supported this step, which allows greater flexibility in scheduling employees' working hours in cases where the company has to respond to sudden orders. This practice allows companies to avoid sudden layoffs.

- Increasing the number of hours worked based on an agreement to complete a job (from 150 to 300)

This measure, conversely, was criticised harshly by ČMKOS, as it again gives employers a lot of room to abuse precarious forms of employment.

From the same standpoint with regard to the amendment of the Labour Code, ČMKOS generally states that the changes being prepared to the Labour Code, despite partial improvements in the legal regulation of labour law relationships, generally have the effect of rolling back the protections and certainties enjoyed by employees and infringes their trade union rights. The proposed amendment still leaves too much room for precarious forms of employment – which do not provide employees with the

same protections – and sets up the conditions and legal instruments that will make it even harder for an even a greater number of employees to achieve full-time employment relationships concluded for a definite period of time. Such employment is the basic condition for the development of personal – especially family – life and a satisfactory standard of living for employees and their families.

5. Government Employment Policy and Youth Employment

5.1 Government Approach

The government's approach is summarised in full in the abovementioned NRP for 2012 in a short passage dealing specifically with youth employment:

»The issue of youth employment is becoming increasingly important at the European level; therefore, the government of the Czech Republic is prepared to make more use of active employment policy instruments focusing on youth employment, including implementation of relevant projects supported by the ESF. Various forms of specialised counselling services, retraining and so on are available to young people. The principal measures for this purpose are centred in education, vocational training and counselling in connection with the transition from school to the labour market.

By the end of 2015, the National Qualifications Framework and the National Occupational Framework will be completed in compliance with the requirements of the business environment. Also, a system of lifelong career counselling will be implemented.«

However, as already mentioned, such »measures« often remain on paper. For example, active employment policy under right-wing coalition governments tends to fall short of what is initially proclaimed. The development of expenditure on active employment policy shows this clearly.

Table 3: Expenditure on employment policy (CZK millions)

	2008	2009	2010	2011	2012
Employment policy total*	15 608	23 132	22 734	17 837	19 393
Passive employment policy	7 114	15 077	13 354	10 349	12 480
Active employment policy	6 131	4 953	6 171	3 816	3 180

Source: Ministry of Labour and Social Affairs and Act on the State Budget of the Czech Republic for 2012.

The data show trends with regard to financing and the government's overall approach to employment policy that ČMKOS finds unacceptable. This includes, in particular, the neglect of active employment policy and its continued under-financing given developments on the labour market, but also in comparison to more advanced EU countries. Also worthy of attention is the total lack of a responsible government approach to foreseeable labour market trends in its budgetary proposals for 2013 and 2014.

Assessment of actual expenditure on active employment policy in 2011 shows clearly that government policy in this area is destructive. Not only has expenditure already fallen dramatically (by almost 40 per cent in comparison with 2010), but in 2012 further cuts in the state budget are expected. This negative trend may be exacerbated by further organisational changes at the employment offices, reducing their capacity to implement active employment policy. Another negative factor is that what little funding is available may be partly swallowed up by private placement agencies as part of the government's »shared job placement« scheme.

In any case, active employment policy expenditure in the Czech Republic is well below that of the more advanced EU countries (Tables 4 and 5).

In the Czech Republic, expenditure on active employment policy programmes is less than 10 per cent of expenditure in some more advanced EU countries. Furthermore, expenditure already approved as part of the state budget for 2012 is subject to further restrictions this year in connection with new national economic development estimates. Documents approved by the government in March 2012, the purpose of which is to update the state budget for 2012, contain what is called expenditure benchmarking of up to 3.95 per cent: for example, for expenditure on active employment policy this would mean a cut of CZK 125 million.

Table 4: Active employment policy as a proportion of GDP in the Czech Republic

	2008	2009	2010	2011	2012
Share of GDP	0.10	0.01	0.17	0.10	0.081

Source: State budget for 2012, author's calculations.

Table 5: Active employment policy expenditure as share of GDP in certain EU countries in 2009

Denmark	1.17 per cent
Germany	1.00 per cent
France	0.72 per cent
Sweden	0.67 per cent
Austria	0.35 per cent

Source: OECD Employment Outlook 2011.

The level of expenditure on active employment policy also has an influence on the number of people included in the relevant programmes. The total number of such participants in state employment policy programmes in recent years has fluctuated. Nevertheless, we can establish that there was a substantial 25 per cent fall in 2011, to 99,682 participants from 128,753 in 2010. In terms of the various active employment policy programmes, this reduction most affected people involved in retraining programmes (a fall of 30 per cent) and those supported in »worthwhile jobs of social value« (a fall of 50 per cent).

5.2 Projects Co-financed from the ESF

The programmes »Educate Yourself for Growth!« and »Educate Yourself for Growth! – Regions«, which built on the projects »Educate Yourself« and »Training Is an Opportunity« have been offered by the Ministry of Labour and Social Affairs since mid-2011.

The national project »Educate Yourself for Growth!« has been implemented since May 2011 and is aimed at increasing the adaptability of employees and the competitiveness of companies with potential for growth in certain sectors of the economy. Support is aimed at employers who have been able to overcome the economic recession and now have the potential to obtain new contracts: in other words, to develop and expand production and trading. Under the project, employers receive a financial contribution to pay for training and retraining employees and to cover these employees' wage costs. CZK 850 million has been set aside for the project within the framework of the Operational Programme Human Resources and Employment.

The project »Educate Yourself for Growth! – Regions« offers employers in the regions an opportunity to apply for a financial grant for training or retraining their employees. The Ministry of Labour and Social Affairs has called for the submission of regionally focussed projects for the »Educate Yourself for Growth! – Regions« project. CZK 600 million has been set aside for this purpose.

6. Approach of the Social Partners

6.1 Employers

A number of representative employers' associations – for example, the Czech Confederation of Industry – also promulgate possible solutions to the issue of employment generally and the issue of youth employment specifically.

As regards employment policy, the employers' proposals are essentially in line with the government's approach. They concern requirements for implementing various flexible forms of employment and decreasing – or not raising – labour costs. As concerns the overall legislative approach, employers would welcome »less specific legal regulations« to allow them to avoid fines. Otherwise, even employers are calling for an approach to employment policy that would emphasise motivation and are at one with the unions on the issue of implementing measures supporting a reduction in working hours (*Kurzarbeit*) in the event of a sudden downturn in the economy. They also criticise a weakening in the position of the employment offices in relation to the implementation of employment policy.

As regards youth employment specifically, employers' organisations recommend the following in particular:

- changes in the education system;
- development of vocational training at all levels;
- ensuring a closer match between supply and demand on the labour market in terms of the number and structure of graduates;
- closer links between training programmes and practice.

6.2 ČMKOS's Approach

ČMKOS Programme for 2010–2014

At the ČMKOS congress in 2010, the organisation's programme was also adopted. This programme of course also contains passages on employment and the labour market. We repeat some of the proposals contained in this programme here:

- ČMKOS considers efforts aimed at full employment and the social and legal certainties arising from it for employees as the purpose and objective of its work. It will support economic and social policy aimed at creating jobs. Without the possibility of suitable employment, making use of people's skills and providing them with a living, it is not possible to employ society's full human potential.
- ČMKOS supports the creation of a developed network of modern employment services, the application of effective forms of new job creation, *with a focus on jobs for particularly vulnerable groups*, as well as substantial expansion of active employment policy programmes.

In addition to these general employment goals, the programme also specifically addresses the problems of young people:

»ČMKOS is aware that young school graduates applying for a job and their families are, especially at this time, greatly threatened by precarious forms of work and discrimination on the labour market. ČMKOS will strive to change this undesirable trend.«

Returning to the issue of employment, ČMKOS plans to focus over the long term on attaining the following targets:

- Strengthening active employment policy (in terms of financial resources and the conditions for implementing programmes for job applicants).
- Strengthening the employment offices, which will be implementing this public service.
- Guaranteeing adequate material and social standing for the unemployed, which requires, in addition to material security, strengthening social security systems, lifelong learning and a comprehensive policy of active inclusion that will create opportunities for people at various stages of life and protect them against the risk of exclusion.
- Increasing the focus of employment policy on the labour market as an instrument in the fight against social exclusion and poverty.
- Tightening controls and fighting against illegal employment.
- Ensuring the social and legal certainty of employees and taking measures focused on maintaining existing jobs and creating new jobs.
- Supporting public services and utilising the potential of the service sector (including social services and public administration) as an area for the creation of new jobs.
- Supporting lifelong learning and the development of science and technology to ensure that the Czech Republic does not gradually fall behind other EU countries, economically and socially. ČMKOS will also continue its efforts to create adult education funds to maximise the access of the unemployed to retraining.
- Allowing greater involvement of the social partners in decision-making processes and increasing the participation of unions in programmes supporting employment, especially among the disabled, persons of pre-retirement age and graduates.
- Supporting targeted projects to regulate migration, eliminating or restricting illegal employment of both

foreigners and Czech nationals and reinforcing control mechanisms in this area; monitoring and evaluating the impact of the green card.

- Supporting a balanced gender policy and reducing wage differences between women and men.

Unfortunately, as described above, in the past few years under right-wing coalition governments, it has not been possible to prevent the ongoing deterioration of employment services, the situation of vulnerable groups on the labour market (especially the disabled and the long-term unemployed) and the labour law and social security protection of both the employed and the unemployed.

ČMKOS continues even under these adverse circumstances to advance positive measures. In the amendment to the Employment Act, certain improvements regarding recourse against illegal work and the regulation of agency placement were finally adopted, thanks to the efforts of ČMKOS.

The introduction of a state subsidy mechanism for shortening working hours in the event of economic problems for the purpose of preserving jobs (so-called *Kurzarbeit*) is also being negotiated. ČMKOS representatives have long contributed to drafting the wording of the respective legislative changes that should put this principle into practice.

Social dialogue at the EU level

ČMKOS is also engaged with the ETUC (European Trade Union Confederation). In March 2011, a framework agreement on inclusive labour markets was concluded between social partners at the European level.¹

This agreement calls upon the participating organisation to eliminate the following obstacles on the labour market:

- Insufficient availability of information regarding job seekers, available jobs, information about content and conditions of jobs, prospects for career development,

1. ETUC – European Trade Union Confederation, BUSINESSEUROPE – European Business Confederation, UEAPME – European Association of Craft, Small and Medium-Sized Enterprises, CEEP – European Centre of Employers and Enterprises, EUROCADRES – The Council of European Professional and Managerial Staff.

training schemes, and how to access guidance and advice.

- Ineffective recruitment methods with regard to attracting a wide diversity of job applicants without discrimination with regard to frequent or long absences from the labour market.
- Low level of training, skills and capabilities, insufficient investment in or access to learning opportunities, insufficient match between training offered by education systems, vocational methods and the needs of the labour market.
- Insufficient motivation, self-confidence, anticipation of and adaption to change by representatives of employers and employees, quality of information, consultation, internal communication and social dialogue.
- Poor work–life balance and career development prospects.

In this connection, ČMKOS has managed the following with regard to implementation of the framework agreement: the conclusion of a bilateral agreement between ČMKOS and the Czech Confederation of Industry in 2011 and changes to working hour regulations, which the government accepted and implemented in the amendment to the Labour Code, which came into force on 1 January 2012.

Also in the spirit of the framework agreement are the new rules on illegal work. ČMKOS contributed to this with its proposals within the framework of the consultation procedure on proposed amendments to the Labour Code and the Employment Act (these proposals were accepted by the government). These rules provide the necessary legal basis for fighting what is termed the »švarcsystem« (individuals working for their employers under a trade license) and returning numerous artificially self-employed people to dependant activity (employment).

Among the measures by which the social partners at the national level have contributed to the implementation of the framework agreement one might mention their agreement on the implementation of the job sharing programme, similar to Germany's *Kurzarbeit*, and the possibility of early retirement under supplementary pension insurance for employees who have performed high-risk

work for a long time, together with their joint demand, voiced at meetings of the Council of Economic and Social Agreement, that the government execute these joint proposals.

ČMKOS and the Youth Employment in Collective Agreements

In the Czech Republic, collective agreements cover about 30 per cent of employees. In these collective agreements, even the conditions for employing young people and the conditions of their dismissal are regulated.

Some approaches contained in the collective agreements concluded in 2011:

6.3 Rules on employment conditions

More detailed conditions regarding the development of employment in companies have been agreed in 31.8 per cent of corporate collective agreements.

Only 1.0 per cent of corporate collective agreements contain measures pertaining to employment, accompanied by career planning; 31.4 per cent contain an agreed methodology for filling vacant positions; and 0.5 per cent regulate the terms and conditions of work outside the company.

More detailed conditions for specific forms of work, such as job sharing, work without a »permanent desk« and so on are not regulated by any corporate collective agreements. Some regulate work at home, however.

In terms of the conditions for returning to work after parental leave, figures from 2011 show that this issue is regulated by 8.6 per cent of corporate collective agreements.

The issue of professional development of employees is contained in 32.1 per cent of corporate collective agreements.

A total of 30.7 per cent of corporate collective agreements also address equal treatment, prohibition of discrimination and work–life balance.

7. Conclusion

Youth employment has not received much attention in the Czech Republic. In the first years of transformation, it was rather older people who were at risk in terms of age. This is changing, however, in connection with the impact of the economic crisis, the full consequences of which began to show themselves in the Czech labour market in 2008. Today, the level of unemployment among people in younger age groups is hovering at around 20 per cent and the prospects are uncertain. The economic crisis has contributed to an overall drop in new job creation and the decline in overall demand has led to massive layoffs, dramatically affecting younger age groups. Labour market recovery has been very slow in recent years, in connection with the austerity policies of right-wing governments. The overall slump in the labour market is leading to the further deterioration of the position of certain groups, including young people, who are handicapped by a lack of work experience and inadequate education and training. Government policy in the area of unemployment generally and youth employment spe-

cifically is based on the idea that unemployment is more or less the result of too much »comfort« in the form of social security of the unemployed, who are thereby »not motivated« to find jobs and are not interested in taking the jobs offered to them. In accordance with this ideological approach, the government proposes to »solve« this problem by reducing the rights of employees and the unemployed and weakening their social protection. Conversely, active employment policy is increasingly neglected from the financial and organisational points of view and fewer and fewer resources are being expended on, for example, retraining programmes.

As concerns young people specifically, another significant obstacle to improving their situation is the absolutely chaotic approach to the development of the education system, resulting in a marked skills mismatch. This is due to an underestimation of the need to develop technical and vocational training. On top of this, the current government is even trying to commercialise education and charge for it, which would have a negative impact on the ability of socially weaker families to access education.



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About the author

Pavel Janicko works at the CMKOS and Banking Institute of the University of Prague.

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Responsible:
Jörg Bergstermann, Coordinator for Trade Union Programs in Europe and North America

Tel.: ++49-30-269-35-7744 | Fax: ++49-30-269-35-9250
<http://www.fes.de/gewerkschaften/>

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Project leader: Jörg Bergstermann (joerg.bergstermann@fes.de), project management: Cindy Espig (cindy.espig@fes.de).

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