

THE EVOLUTION IN THE EU STRATEGY OF ACTIVE POLICY EMPLOYMENT – THE CZECH REPUBLIC CASE

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Abstract

Despite the EU Commission long-standing motivation to decrease a long term unemployment in its member states, it is still a serious problem and furthermore the state itself is getting worse (the Czech republic is not an exception). At the same time the structure and financial security of all forms of active employment policy are changing. In the Czech Republic is very strong long-term unemployment which is very difficult to reduce. This article analyses the evolution of the Czech labour market and in particular the problem of integration problem groups in the work force. The contribution also mentions the continuity of European Employment Strategy and specifically on the financial flows of EU funds.

Key words: active employment policy, long-term unemployment, labour market, Lisbon strategy

JEL Code: J21, J08, J23

Introduction

Policy of employment in the Czech Republic same as others countries European Union has two components: active and passive. Passive policy of employment is obviously paying a benefit in unemployment. Active policy of employment is financed by state budget and in this time by European Social Fund. This fund is nothing else that withdraws money from taxpayers. Downsizing of the temp indebtedness those countries follow to reduction expenditure from state budget, which is often complemented by increasing taxes (in the Czech Republic especially indirect). Those facts affect financial means that are the source policy of employment in the double meaning:

- a) Change the volume of the plan financial means
- b) Fundamentally has an influence to the ratio between active and passive component. In this case prefer the passive.

In the time of the forming policy of employment in the Czech Republic (the first part of the 90's) was the idea of maximally policy of employment. For this projects had been inserted the 2/3.

This goal wasn't complete the goal in the time of the economic growth (years 2003-2008), when the gross domestic product growths and the unemployment was progressively reduced to the 3, 5 % in years 2008. On the statistics date is possible proved, that the ratio of expenditures for passive and active components of employment is opposite. For the payments support in the unemployment are directed 60 – 70 % means. For the projects of active policy of employment is directed the rest. In the last year are those expenditures fundamentally influenced by the significant flow from European Social Fund. Those means make possible reduced the expenditures which is obviously draw from state budget.

1 Modern Employment Policies in the EU

Active policy of employment is understood from economy theory as summary of method, forms and tolls, which has influence on the labor market. It is not a negation but also supplement market principles, in such a complex sphere such as increased employment. It should be noted that the functioning of the active employment policy shows a certain specificities, which are determined by the specific historic and social development. European Union is formulating methodological basics, which became the basis for the European employment strategy. It was called the Lisbon strategy. The Lisbon strategy has been upgraded and amended. The point is that this strategy was primarily aimed at increasing employment and not at reducing unemployment. It is not the same thing. For accuracy, it should be noted that the employment strategy itself was part of a broader package of measures intended to strengthen the position of integrated Europe in the world economy. Economic literature mentions the better coordination of macroeconomics policies, the use of information and communication technologies, human resources, etc. In the setting of this Strategy of reconstruction and development of the European Union occupies the policy of employment the key position. The priority should have been to those programs, which have in the field of the employment preventive character. The aim of these programs is to transfer unemployed to the employed group. It was the creation of such social and economic conditions that will motivate the unemployed to find a job and not only to receive the unemployed support. Practical developments showed that the same and maybe even a greater problem occur then

with the requirements for such a place. For a better understanding of the employment strategies recall the four basic pillars. For accuracy we must mention, that in pithy form was adopted at the European Council meeting in Luxemburg in 1997

1.1 First pillar: Employability (the ability to work)

Measures of this pillar are crowding out the unemployed from dependence on social benefits. Emphasis is placed on the process of lifelong learning and retraining according to the requirements of the labor market. The priority target group in particular was teenagers, who after graduating from school; it is difficult to find a path to a professional career.

1.2 Second pillar: Entrepreneurship

The directives contained in this pillar are geared to facilitate the creation of small businesses and the self-employed activity. Between the entrepreneurial measures is sorted to reduce non-wage labor costs (in particular for workers with lower qualifications).

1.3 Third pillar: Adaptability

The essence of these measures is to modernize and also more flexible organization of work in terms of the legal and socio-economic. A classic element of this pillar is the introduction of flexible working hours, working from home, etc.

1.4 Fourth pillar: Equal opportunities

You can put it be described as liquidation, or at least the alignment barriers, which prevent certain groups of citizens to enter the labor market. This is, in particular, discrimination against women, older workers, the disabled, etc.

2 The European Union Strategy

The European employment strategy has been revised several times and its objectives were only partially filled. It is necessary to add, that the objectives ensured the European Union by the method of open coordination. And, so far, not been uniform employment policy. The

Lisbon strategy and other related documents, which will be mentioned, is understood as a methodological basis for the conception of sovereign national employment policy. Interconnection and success of individual steps in this field involves a certain economic growth, which was then quantified at the level of 3% of gross domestic product. The latest document, which develops and makes the original ideas of the Lisbon strategy more accurate, is “Europe 2020”. Again, this is a coordinated strategy which, in addition to the high employment pleads for social cohesion. It marked out the vision of the European social market economy the 21st century. Unlike the previous Lisbon strategy “Europe 2020” is limited to the five objectives to be achieved. Given that these objectives are included in the Czech employment policy, specifically in the national reform program, we consider it necessary to explicitly change:

- 1) 75% of the population aged 20 to 64 should be employed
- 2) 3% of the gross domestic product of the European Union should be invested in research and development
- 3) in the field of climate change and energy should be achieved the objectives of the “20-20-20” (including the increase in the obligations to reduce emissions to 30% if the conditions are favorable)
- 4) rate of early exit from the education should fall below 10% and at least 40% of the population aged 30-34 years should be achieved a tertiary level of education
- 5) population at risk of poverty should decrease by 20 million

The present interpretation is intended to the European employment strategy and its capabilities (the emphasis is placed on the active part) to increase employment and thus reduce unemployment as such. In the context of unemployment has a special status a long-term part, which is most often defined in horizon of one year. Without further explanation, it is possible to conclude that the long-term unemployed are one of the most troublesome populations in terms of both economic and social and political. From the standpoint of economic theory, it is possible to conclude that long-term unemployment will not have the nature of friction, but rather a structural and cyclical. Professional literature is on the issue of the involvement of these unemployed people back to work conservative. This is the low qualified workers, for which the application of most forms of active employment policy is failing, in the Scandinavian countries, but also in France, where the system of partial

integration of this group of the population developed and courses, which are organized for this group of people only creates the conditions for employment.

A separate relationship of unemployment and long-term unemployment, however, is rather complicated as mentioned in Pavelka et al. (2011) *"A high proportion of the long-term unemployed to the total number of unemployed may be a sign of failed policies of the state in unemployment. The low proportion of the long-term unemployed in the total number of the unemployed, however, on the other hand does not always mean a successful policy of unemployment. It comes to pass the situation that the unemployed are unemployed in the short term, but the frequency in which they become unemployed is high. In other words, those unemployed are not able to maintain their newly acquired jobs. In the evaluation of long-term unemployment arise the problem, which has already been mentioned above, and that some of the unemployed to stop looking for a new job, because losing hope that they can find it. They can move to the group of persons of economically inactive and artificially reduce the number of unemployed people."* The quote very well confirms the fact, which was mentioned in the introduction article. Increasing employment and reducing unemployment are not identical processes. In the case where the long-term unemployed will gain normal standard contract, his income does not exceed the social aid. In the European Union was implemented for this group, the term "poor workers".

Another interesting problem is the age composition of the long-term unemployed. It is widely-known fact that between the most vulnerable groups by long-term unemployment belong young workers (ages 15-29 years) and older workers (age 50-59 years old). In the Czech Republic in the last five years created the people of the first group the largest percentage of long-term unemployed (with a few small exceptions). This phenomenon has a significant social, psychological and political link. The working habits for young people are created in this period. Their absence creates a significant barrier, which prevents the entry into the labor market. For this reason are created problems, which are focused on a group of young workers. They became a part of an active employment policy in the Czech Republic and in the next text will be still mentioned. Long-term unemployment of young people can lead to their radicalization and their tendency to the extremist, political currents.

The active part of employment policy should serve not only to create jobs but also to the stabilization of employment contracts. Individual projects of active employment policy are constantly discussed and it should be added that the part of the technical public, as from the

area of economic theory so practice refuses them. In its opinions accent negative effects, some of which will be mentioned. It is so-called the creaming effect where the competent institutions and firms to collect the rather more unemployed, while those less equipment shall remain outside the worker process. The competent institution shall then show better results when trying to get the unemployed into the labor market. Next include the so-called “deadweight”, where they spent the funds for clients who were able to find a job even without these programs and money.

However the author is inclined to the idea that an active employment policy that is properly designed and targeted plays an important role in the labor markets and enables in particular increase employment low-income groups of the population. But even in this case plays a key role in the effectiveness of means employed its implementation. It should be noted that the issues associated with this issue belongs to the most difficult. The author was therefore limited to some basic context, which are connected to the revenue and expenditure of the budget. It is clear that high unemployment substantially reduces the revenues of the state budget. As Čadil et al. (2011) made statement *"The cost of unemployment can be divided according to their impact on the budget on direct and indirect. Direct cost we can divide into the expenditure budget of the unemployed, which is a payout unemployment benefits and paid to social and health insurance, and loss of income, which are forgone income taxes out of health insurance."*

Even more difficult is to assess indirect costs of unemployment, which are always linked to a reduction in the real income of the unemployed. The author in this sense shall be limited to a statement that it is clear that lower income reduces the consumption of households and thus the collection of indirect taxes (including VAT). A more detailed analysis of this issue is in the above article.

In conclusion we should mention some of the latest information about active employment policy in the last period. On the active employment policy was from the state budget and the European Social Fund in the year 2010 to the Ministry of Employment and social things and on the employment bureau expended 2 016 929 Czech crowns (80 356 Czech crowns to the Ministry of Employment and social things and the rest for employment bureau). In comparison with the first half of 2010 decreased spending on active employment policy on 821 233 Czech crowns, that is 28, 9%. Continues the trend of changes in the structure of expenditure on active employment policy is based on a larger involvement of funds from the European Social Fund. Tools and measures of active employment policy are financed by

funds as a matter of priority from European Social Fund within the framework of the national individual projects or regional individual projects.

Furthermore it was in the context of national employment policy from the state budget as a contribution to employers with more than 50% of persons with disabilities pursuant to § 78 of Act No. 435/2004 collection about unemployment expended 1 563 288 Czech crowns (by 303 556 Czech crowns, i.e. 24, 1% more than 1. half of 2010), and to the payment of wage claims of employees in the employer's insolvency - insolvency 216 141 Czech crowns (year-on-year less by 71 501 Czech crowns, i.e. by 24, 9%). These instruments and measures are not part of active employment policy.

Retraining with its focus was adapted in line with the requirements of the labour market and the structure of employment vacancies as in the past years. Used not only for the acquisition of new or enhanced existing qualifications, but also to the increase and deepening of including maintenance and renewal.

In the 1.half of the year 2011 were retrained 35 857 people (about 9 192 less than in 1. half of 2010), from this 2790 participants continued in the retraining of initiated in 2010. The decline in the number of participants of retraining was affected by reorganisation of employment bureau during the 1.half of 2011, when was slowed temporarily the process of assigning participants to the courses, also was connected with the pumping funds from concluded framework agreements with suppliers of retraining and with the need implementation new competitive tendering for vendor in particular in the national integration programme "Retraining and counselling". In addition, they were implemented retraining in the regional individual projects and grant projects financed from the ESF.

The largest groups in the retraining of the persons aged 35-39 years (14, 3%), 20-24 years (14, 1%) and 30-34 years (13, 8%). Retraining is most in people with undertake apprenticeship (36, 4%), with complete middle vocational training with General Certificate of Secondary Education (24%) and people with unfinished education or people with basic schooling (17, 3%). Participants who attended retraining in the framework of the Operational programme and human resources and employment, were from the total number of participants in retraining 88, 5% (compared with 90, 6% in the first half of 2010).

3 Publicly beneficial work

Publicly beneficial work are understood as time unlimited employment opportunities used for to activate or to obtain and maintain the working habits of a group of job seekers, where threaten of long-term unemployment.

In the 1.half 2011 was created total 10787 places for the public utility work (within the framework of the national resources of 8102 and 2776 within the European Structural Fund) and on them were placed 10910 of job seekers, which is by 6515 less than for the same period of the previous year. To offset this downturn is realized the project "Educate for growth!- Publicly beneficial work".

In the 1.half of 2011 was expended on the public utility from the state budget and European structural funds total 433 553 Czech crowns (from it 211 088 in the context of European structural funds), i.e. by 133 708 Czech crowns less than in the first half of the 2010. The share of expenditure on the implementation of publicly beneficial work (22, 4% of the total expenditure of the Employment bureau of the Czech Republic), was not changed year-on-year (1. half year 2010 amounted to 22, 2%)

This tool active employment policy was the most used in the Usti region (16, 6% means Employment bureau drawn from the state budget to public beneficial work), in the Moravian-Silesian Region (13, 8%) and the South Moravian region (12%).

4 Socially purposeful jobs

Socially purposeful places are the places that the employer establishes or reserves on the basis of the agreement with the Employment bureau and fills in with job seekers. These jobs places have allow the permanent or long-term employment of jobseekers, which them is not possible to ensure a working application in a different way.

In the 1.half of 2011 the Employment bureau of the Czech Republic has contributed to the establishment or the reservation of 9 302 posts (in the framework of the national resources 4956 and 4346 within resources the European structural funds) and on these places ranked 9279 of job seekers, which is about 4927 less than in the same period of the previous year. In the case of socially useful jobs took a similar situation as within tool public beneficial works. Toward 30.June 2011 have been completed activities of The National individual project socially useful jobs. The need to end the activities of this project until that date led to the shortening of the periods of validity of the contract agreements and also lowers participation

in the project in its conclusion just because of a shorter period of drawing contribution. Implementation of the instrument was further temporarily marked by the restructuring of the employment services, and in comparison with the year 2010 with the lower budget on executing the active employment policy.

On this tool were overdrawn total of 533 272 Czech crowns (from it 232 836 Czech crowns in the framework of the European structural funds), year-on-year by 131 850 Czech crowns less due to the above mentioned reasons.

Apart from stated projects of the active employment policy exist protected jobs and protected workshop. Less used tools of the active employment policy are a contribution to the incorporation, contribution to transition to the new program of work and the bridging allowance.

In conclusion adduced the projects financed of the European Social Fund. Resources of The European Social Fund are drawn in 2011 on the basis of the operational program of human resources and employment in programming period 2007-2013. The global aim is to increase the employment and employability of people in the Czech Republic at the level of the average of the 15 best countries of the European Union. In accordance with this aim and the proposals and strategies contained in the national strategic reference framework 2007-2013 are framed the priority axis of the operational program human resources and employment.

Conclusion

In this article we have used the analysis to synthesis methodology involving basic micro and macroeconomic theory of common mainstream. The main goal in this article was to analyze the evolution of European Union active policy of employment in the Czech labor market. Active policy of employment motivates the long term unemployed people to find their new employment (their return to labor market). This policy is practically performed with the methods discussed throughout the article. Partially these activities are funded from the governing budget and partially from the ESF fund.

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