

THE VULNERABLE GROUPS ON THE CZECH LABOUR MARKET: TRENDS, ACTUAL STATE AND INFLUENCE OF ECONOMIC POLICIES

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Abstract

The paper will concern the main issues linked with forming and actual situation of so-called vulnerable groups on labour market. The first part is devoted to basic characteristics of the concept of “vulnerable groups on labour markets and more generally in the society.. Then the paper show some description of current labour market statistics with impact those groups that are especially endangered by social exclusion and by unemployment. We will also try to show main trends and processes that led to this deteriorating of position for some types of employees, in particular with regard to the crisis influence.

The following part of the material is oriented to characteristics of the main changes and approaches of those government policies, that have the main impacts on the Czech labour market situation and that are often presented as the only real methods leading to solution of the negative tendencies of labour market and in the economy as a whole.

Key words: unemployment, vulnerable groups, economic crisis, economic policies

JEL Code: J60, J70

Introduction

This study is devoted to the issue of employment and unemployment in the Czech Republic, especially in the period of the last five year. This period is characterised even in the Czech Republic by the onset of the economic crisis, the consequences of which have also negatively affected the situation on the labour market. This negative effect has, of course, also been manifested in the employment and unemployment in particular in unemployment of so called vulnerable groups. Moreover the crisis situation leading to general deterioration of the workers position is producing more and more such groups, that can be identified as

“endangered” or “vulnerable”. The unpleasant situation is still underlined by antisocial policies of the current Czech government.

The extent of the paper does not allow to provide a detailed analysis of the problem, we tried to characterize main features of the position of some specific groups on the Czech labour market, especially in the crisis period, and to stand in contrast to putative solutions as introduced by our government. We also omitted international comparisons and concentrated on the Czech reality.

1. The vulnerable groups on the labour market - definitions

In the most general form we can define the vulnerable groups as those people that have more risky position on the labour market than others concerning social exclusion. These groups include ethnical minorities, migrants, homeless people, handicapped people, older people with higher level of social isolation, younger people with lack of work practise and job opportunities.

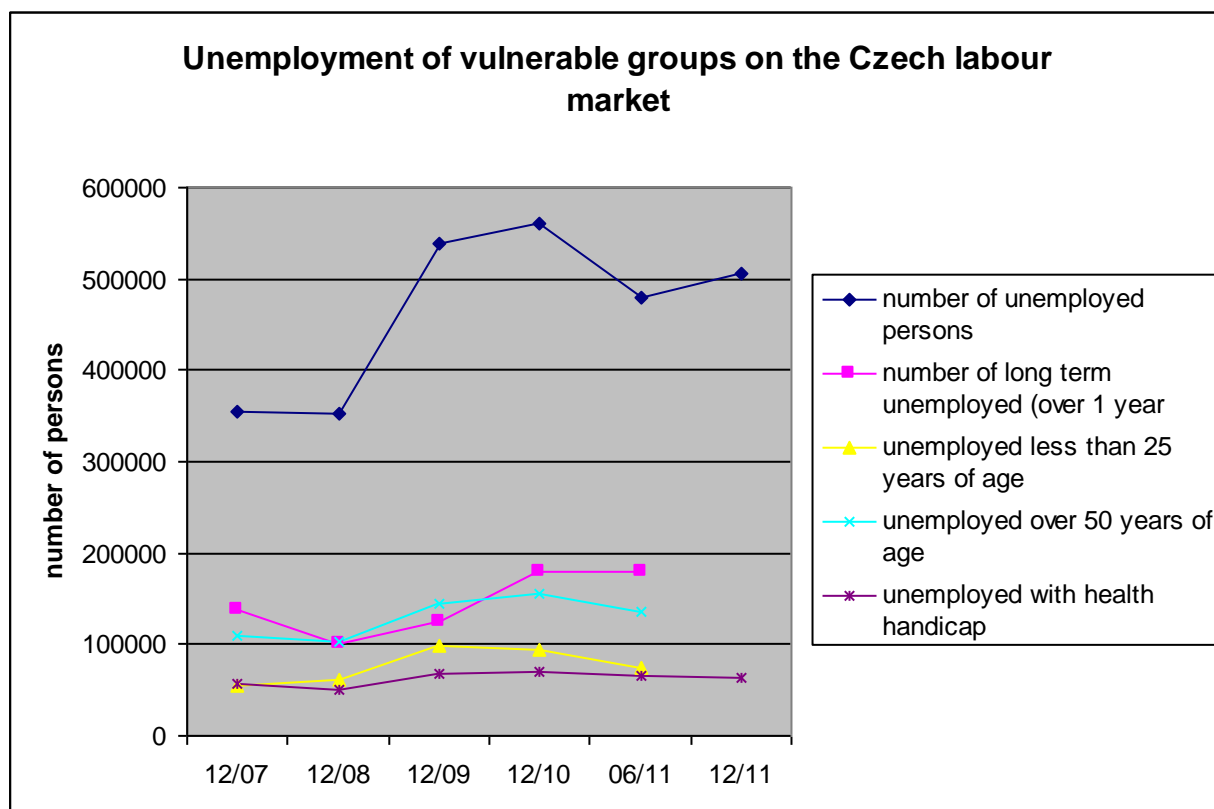
Furthermore there are included also the persons in long term unemployment and also persons that are not at official labour offices registered, person employed illegally and also people employed in so called precarious jobs, on workplaces with very low legal protection and with uncertain and low incomes.

In this connection we can mention very typical fact (it will be still summarized later), that the new Employment Act amendment (valid since this year) cancelled some explicit definitions giving exact guidelines for labour offices in case of vulnerable groups. **The Employment act included hitherto exhaustive list of groups of people who enjoyed increased protection on the labour market**, including, *inter alia*, 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 that, essentially, 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.

In this brief survey we will not concern on these form of precarious employment (limited jobs, bogus small businesses, part time jobs, less paid jobs), and will provide some data and characteristics dealing with unemployment accordingly to the length of unemployment, to the age criteria and also to unemployment of the handicapped people.

2.The actual state on the Czech labour market

Figure 1: Unemployment of vulnerable groups on the Czech market



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

The above graph provides us with a basic overview of the development of registered unemployment in connection with the economic crisis. This data, presented by the employment offices, is usually considered in the Czech Republic to be the relevant benchmark and statistically more credible than the data provided by the Czech Statistical Office, which is 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 employment offices and the unemployment rate was just under 10%. 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% compared to the initial state, i.e., it increased almost two-fold.

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

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

In terms of the age structure of the unemployed, the economic crisis somewhat changed the hitherto picture. The percentage of unemployed in the younger age group categories increased due to the fact that the first wave of dismissals (layoffs) during the crisis pertained to a great extent to younger people as well. Contributing to this development is also fact that older employees, threatened with unemployment, went into early retirement, which also influenced development 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 youth at the end of 2011, compared to the previous year, fell slightly in absolute numbers by 3000 persons. It must be stated that even this area was affected by the process of abolishment of legislative guarantees. Effective 1 January 2009, the age threshold of persons that were to be paid greater attention by the employment offices fell from 25 to 20, only then for the exhaustive list of the groups of applicants who were to be paid greater attention by the employment offices to be fully abolished as of 1 January 2012. In addition to job applicants under 20, applicants above 50 lost this express protection (this area will be challenged in the following passages).

Number of long-term unemployed during 2011 compared with the previous year 2010, increased which was a reaction to the generally larger influx of people into unemployment. Those who were not in during the year, unable to find jobs, shifted into the category of long-term unemployed. In connection with chronic period after the economic crisis and related unemployment the Czech Republic can be expected that the numbers of long-term unemployed continued to grow. It is evident that it is long-term unemployment is

the most devastating effect on social status and personal psyche of such individuals and causes pathological processes in society (crime, addiction, family breakdown), not to mention of course a society-wide economic losses. They are also the most vulnerable to poverty and social exclusion

The graph also shows clearly visible increase in the absolute number of disabled persons registered at labour offices during the past year. We can estimate, that the unemployment rate for this category ranges of up to 40%.

Again we must take on account, that number of changes in this area entered into validity as to legal adjustment the disabled persons protection. Since January 2012, significantly changed the whole concept of state support employment of people with disabilities, the financial support for those people and the number of available workplaces was reduced.

3. Some changes in legislation and other documents regulating employment

Employment policy is at the moment formed predominantly by ideological ideas and thoughts of the ruling right wing Czech government, which is in power since 2006. This attitude has indeed significant impact not only on the situation of the overall employment, but still more intensively on the situation of vulnerable groups. It is possible to say, that this type of policy creates huge potential to produce further endangered people in society.

Let remind to ourselves some main “pillars” of the attitude:

- Emphasis on insufficient flexibility of the labour market and conversely its “rigidity” as the cause of high unemployment
- Legislation providing restrictions on 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 Employment Act in their present form are attacked
- Activating groups excluded from the labour market, with emphasis on the need to eliminate “non-activity” 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, advanced is the notion that the various kinds of social assistance and benefits are demotivating and abuse thereof needs to be prevented by “greater focus of the benefit systems”

- 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 discussion on the need to improve work placement (evidently with the objective of having private placement agencies involved)
- There is a permanent underestimation of expenditure on AEP, with the focus on supporting business activities and eliminating abuse

These principles are more or less included into main programming and legislative documents adopted in the recent period. We introduce some brief summary of them:

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 what is termed 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 the overall employment in the 20-64 age bracket to 75% by 2020.

To fulfil 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 %.
- Increase the employment rate of older employees aged 55-64 to 55%
- Decrease the unemployment rate of younger people aged 15-24 by a 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 to a Competitive Economy – National Employment Plan**”, contains certain subchapters whose headings reflect the government's “reform” efforts. Examples of the formulations are “Modern Social Systems and Labour Law”, “Making Work Placement More Effective”, “Making Labour Law More Flexible”, “Innovative Active Employment Policy Instruments”,

“Integration on the Labour Market”, “Incorporating the Disabled into the Labour Market” and “Employment of Youth”.

In the text of the various chapters, it is possible to find general passages that are even generally acceptable in terms of efforts to introduce effective and socially oriented employment strategy. These words also expressly named some special requirements concerning specific groups on the labour market, for instance:

“The aim of reforms is to increase employment with a focus on youth, women and people of pre-retirement age, and provide a sufficient suitable labour force in professions and sectors with a strong development potential and improve worker mobility. This can be attained by changes in the education system and vocational training, life-long learning and study programmes, targeted retraining programmes, short-term and targeted economic migration, and activation of groups that have hitherto be 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; a sufficient offer of services that makes a work-life balance possible; a simple, effective and controllable social system that is comforting for 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 where certain groups are for various reasons threatened by high structural unemployment, to be the best contribution to 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 social states, it is necessary to reflect the need for sustainability of public expenditures. All of the measures should thus have a long-term, pro-growth character.”

These targets are, however, devaluated or directly debased by the methods that the government would like to use to attain them. The proposed solutions are based on known clichés that do not correspond to reality

. This concerns statements such as the following:

- *“...the problem with the Czech economy consists in the high effective taxation of labour, which leads to high labour costs and, thereby, unfavourably influences price competitiveness.”*

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

In this connection, we again remind, that the level of labour costs in the Czech Republic is many times lower than in the “old” EU countries:

Such 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” concept of economic and social policy), cannot resolve the situation problems of the labour market, on the contrary it generates them. .

The National Reform Programme is built on repressive and restrictive measures and approaches vis-à-vis employees and the unemployed. It prefers what is termed support for private business and competition, which consisting particularly in 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”.

Let look at some changes in the Employment Act, that re in force since the beginning of this year:

Amendments to the Employment Act

- **Removal of the hitherto exhaustive list of groups of people who enjoyed increased protection on the labour market (see in the previous text)**
- **Redefinition of the term “suitable employment” and the related introduction of a new reason for exclusion from employment office records**

As a new reason for excluding a job applicant from employment office records is the job applicant’s refusal to perform public service at the proposal of the Employment Office (the “EO”) to the extent of up to 20 hours per week already after being registered with the EO

continuously for two months. Public service is a form of work that can be ordered by the EO upon agreement with the local authorities; this work is unpaid and can be, for example, assistance work in health care facilities or the cleaning of public spaces. In this connection, the definition of suitable employment has been modified and weakened. Now, suitable employment for a job applicant includes publicly beneficial work in 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 youth (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.

- **New obstacles to registration at the EO**

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

- **Reduction of the decisive period for being recognised unemployment benefits**

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, the unemployed in the lower age brackets, has been weakened, and that it is harder for them to receive unemployment benefits.

- **Shared job placement system**

In connection with active employment policy, the Czech Employment Office may now work with private agencies in job placement efforts. Based on an agreement between an employment office and the private placement agency and the applicant's approval, certain groups of job applications may be transferred to the private placement agency, which will be acting 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.

Handicapped people

Category of persons with physical handicaps (lower level of handicaps) will be abolished in 2015 (it is about 40 000 persons). . Persons with disabilities will, if they meet the appropriate conditions, be gradually transformed into the category of persons with invalidity.

The institute of protected workshops will be removed, they will be transformed into a protected individual jobs. Employers who employ more than 50% of employees working in sheltered jobs (yet it was generally for the disabled) will be granted allowance of 75% of wage costs actually incurred (not yet 100%) per employee.

Conclusion

The paper summarize some basic information regarding situation on the Czech Republic with more emphases on some specific groups. The chosen topic and period enable clearly identify contradictories between official statements raised by “liberal” economists and politicians and the reality on the labour market. Not only the last years show, that “liberal” mantras recommended more and more intensive flexibilization and restrictions against so called “too generous” social and unemployment subsidies cannot hit the substance of the labour market problems. Such approaches oppositely thee problems get worse. The really effective labour market and employment policy must be built up on reasonably balanced economic and social attitudes that will lead to creation of the appropriate workplaces and to socially inclusive society.

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