

CZECH REPUBLIC

National Action Plan for Employment

for the period 2004 – 2006

**(approved by the Government of the Czech Republic
on the 14th July 2004 by Resolution No. 696)**

I. The context and objectives of the National Employment Policy

The principal economic objective of the government of the Czech Republic is to support economic growth and employment by stimulating higher productivity and competitiveness. Another pressing task is to reinforce control over the development of public finances. The aim is to speed up the process of catching up with the economic level of EU Member States prior to enlargement on 1 May 2004 without neglecting environmental and social requirements.

Another essential requirement if the trend in employment in the Czech Republic is to change is to achieve higher growth dynamism. The key to this strategy lies in improving the business culture, enhancing the quality of the business environment, implementing measures aimed at making the supply side of the labour market more flexible (by modifying the system of social benefits, reforming the education system, and promoting vocational and professional training as part of the lifelong learning system that is currently being introduced), and by supporting research, development, and innovation. All these measures must comply with the principles of sustainable development.

The economic policy will focus on faster economic convergence and on increasing the adaptability of the economy in order to reduce the risk of slowing down economic growth, which could occur as a result of asymmetric shocks. Although the characteristics of the Czech economy have become more closely aligned to those of EU Member States since the start of transformation, there are still certain areas lacking coordinated economic cycles and structural disparities which will not disappear even after the Czech Republic joins the eurozone. In order to ensure that the Czech economy has a sufficient response capacity, essential factors will be a stabilizing fiscal policy, flexibility on the labour market and product market, and well functioning financial markets.

The fiscal reforms are intended to prevent public finances becoming a barrier thwarting plans to enter the eurozone, not only from the aspect of deficits, but also due to insufficient structural adaptation (especially of the expenditure side). The fiscal policy must be prepared to fulfil its macroeconomic stabilization function and at the same time must be consistent with other structural policies supporting improvements on the competitiveness of the Czech economy in the conditions of a single market.

The government is fully aware of the need to complete the reform of public finances as a fundamental precondition for the fulfilment of the Maastricht criteria. Transformation was accompanied by excessive budget deficits and adverse trends in rising debt, giving rise to a huge transformation burden, new requirements regarding the creation of infrastructure and the protection of the environment, and the need to come closer to the economic performance of the EU. Fiscal consolidation will take place gradually, in a reasonable timeframe, and in a sustainable manner.

In accordance with the above-mentioned ambitions and in the spirit of the Lisbon Strategy, the Czech government set the following priorities in 2004:

- the promotion of economic growth and competitiveness;
- employment;
- the reform of public finances;
- sustainable development.

Under Resolution No 460 of 12 May, the government commissioned the Deputy Prime Minister and Minister of Finance, in association with other members of the government, to draw up and submit proposed measures to support economic growth and competitiveness (the government's economic policy priorities) for the period up to the end of 2006 to the Economic and Social Agreement Council of the Czech Republic, and subsequently to the government.

Increasing the flexibility of the labour market and employment

The labour market in the Czech Republic, as in EU Member States, is characterized by relatively low mobility and flexibility of the workforce. The reinforcement of adaptation mechanisms on the labour market requires the implementation of steps intended to increase the flexibility of the labour market and real wages; these changes affect not only in the institutional sphere, but also areas such as transport infrastructure and the housing market.

In the past few years, the share of the economically active population has grown smaller and the sectoral structure of employment has gradually approached the situation in EU Member States. However, a number of structural problems still linger, which are reflected in a rise in the unemployment rate – especially in long-term unemployment. Another consequence of this process has been the considerable regional differences and the high level of unemployment among risk groups, especially younger and older citizens. Key structural problems include low regional and professional mobility of employees, the reduced selective nature of the system of social benefits, the high tax burden of on labour, and the lack of a blanket system of lifelong learning.

Structural problems of the labour market

The level of economic activity, i.e. the share of the number of employed and unemployed in the number of total persons in the 15-64 age group, has declined from 73.5% in 1994 to 71.1% in 2003. The rising age limit for retirement does not have a significant impact on developments in economic activity because of the growing number of other categories of economically inactive persons.

As structural changes progressed and labour productivity improved, in 2003 the number of employees in the national economy in a single (main) employment fell year on year by 31,700 persons to 4.7 million (i.e. by 0.7%). By sector, in the full-year average employment fell in the primary sector (agriculture, forestry, fishing) by 6.5% and in the secondary sector (industry, construction) by 1.3%. The reduced employment in industry was partially covered by a rise in employment in construction. In the tertiary sphere, employment went up by 0.3%; development in the individual branches of services differed – while the highest rise in the number of employees in real estate and leasing rose fastest, the largest decline was recorded in education.

The share of services in total employment in the Czech Republic is 56.2%. Services are the sole area where employment can continue to rise.

The number of job-seekers at the end of the year went up by 28,000 year on year to 542,400; the supply of vacancies narrowed by a moderate 500 to 40,200 available jobs. There were 13.5 job-seekers per vacancy (compared with 12.7 the previous year). In the structure of job-seekers, the number of job-seekers more than 50 years old, with lower qualifications, or registered disabled increased year on year. The number of long-term unemployed persons (i.e. unemployed for longer than one year) went up by 27,000 to 218,300, i.e. to 40.3% of all job-seekers.

On average, in 2003 the number of school-leavers and young people who signed on the dole was 55,500, i.e. a reduction by 3,500 year on year, and accounted for 10.6% of all unemployed persons. The number of school-leavers entering the labour market regularly surges between June and September, but then gradually falls in the other months of the year as these job-seekers find employment. The year-on-year increase in unemployment was reflected in particular among the higher age groups. The largest year-on-year rise in job-seekers was registered in the group of job-seekers over the age of 50 (by 12,800 to 112,700); their share in the past few years has been rising steadily. Among job-seekers up to the age of 25 (23.8% of all job-seekers), there was a slight year-on-year decline (by 1.5%). The average of job-seekers climbed year on year from 35.8 to 36.3.

The disparities in the unemployment rate among the individual districts, expressed as the share of the standard deviation in the average unemployment rate, fell by 0.9 of a percentage point year on year to 41.1%, according to the calculations of the Ministry of Industry and Trade.

From what is mentioned above, the problems on the labour market are mainly of a structural nature and even economic growth higher than the potential cannot resolve them.

In order to find solutions to structural problems, in the scope of the reform of public finances several measures have been adopted. The retirement age has gradually been extended and the conditions for early retirement have been made more stringent, which should be reflected in an increase in the employment rate among older citizens. This objective is also targeted by a measure enabling working pensioners to earn unlimited extra amounts, either as employees or entrepreneurs, even after they have been granted a pension. Besides the above-mentioned positive impact on the unemployment rate among more senior citizens, the income side of the pension system will increase, although there may be certain negative influences resulting in higher unemployment and social transfers.

An increase in the flexibility of the labour market was the objective of an amendment to the Labour Code (effective as of 1 March 2004), and of the adoption of a new Employment Act, effective as of 1 October 2004. This legislation creates conditions for the successful functioning of private profit-making labour agencies, which will allow for the application of the institution of 'temping' (hiring temporary workers). Other measures include tighter restrictions on the provision of unemployment benefits, where closer cooperation between the unemployed and the labour offices will be required.

The government places an emphasis on expanding the active employment policy. Besides developing the existing instruments (socially expedient jobs, jobs for the benefit of the community, etc.) several new instruments are being introduced. This will be reflected positively in a reduction in the time it takes to find a new job and in a fall in frictional unemployment. In order to narrow regional differences in the unemployment rate, there will be a rise in tangible support for the creation of new jobs, which will be available to investors who decide to invest in regions with an unemployment rate in excess of 14%.

Labour market reforms are accompanied by reforms in education. The four-year development programme 'Eliminating disproportions in the range of education available in the regions' is aimed at optimizing the range of education in relation to the labour market. Support is provided in particular for the innovation of technical fields which have witnessed significant change in recent years. Legislative obstacles impeding the development of lifelong learning have been identified. Issues of lifelong learning, searches for alternative paths of education, and the identification of problems connected with their implementation remain areas of keen interest on the part of the government. In the support of lifelong learning, an area of key significance is the creation of a transparent national system of qualifications and professional profiles, which is being formed in association with social partners.

With regard to the delays in implementation and the ongoing restructuring, we cannot expect instant effects or a rapid change in the current trend of developments on the labour market.

Fulfilment of three cross-sectional objectives

a) Full employment

Full employment can be achieved by implementing a comprehensive political approach, including measures on the sides of both demand and supply leading to an increase in the employment rate and closer alignment to the Lisbon and Stockholm objectives.

- The adopted policies will help achieve the following average indicators for the EU:
- a total employment rate of 67% in 2005 and 70% in 2010
 - an employment rate for women of 57% in 2005 and 60% in 2010
 - an employment rate for older employees (55-64 years old) of 50% in 2010.

Any national objectives should comply with the result expected at EU level and should take into account the specific circumstances of the country in question.

In terms of the fulfilment of **quantitative objectives** of the Lisbon Process in the field of employment, the Czech Republic – like most EU Member States, has not yet reached the set values. Other Member States, however, already meet the objectives (in certain cases in all three indicators) set by the EU for 2010. The following table provides a comparison of the fulfilment of quantitative employment goals with certain Member States, including countries with a similar number of inhabitants to the Czech Republic (percentages).

Country	Total employment rate 2003	Change on 2002	Employment rate for women 2003	Change in 2002	Employment rate of elderly persons 2003	Change on 2002
Germany	64.8 %	-0.6	58.8 %	-0.1	39.3 %	+0.6
United Kingdom	71.8 %	+0.1	65.3 %	0.0	55.5 %	+2.0
Denmark	75.1 %	-0.8	70.5 %	-1.2	60.2 %	+2.3
Netherlands	73.5 %	-0.9	65.8 %	-0.4	44.8 %	+2.5
EU-15 average	64.3 %	+0.1	56.0 %	+0.4	41.7 %	+1.6
EU-25 average	62.9 %	+0.1	55.0 %	+0.3	40.2 %	+1.5
Czech Republic	64.7 %	-0.7	56.3 %	-0.7	42.3 %	+1.5

In terms of the overall unemployment rate, the Czech Republic has a higher share than the EU average, but compared with similarly sized countries such as Holland and Denmark, the Czech Republic is lagging behind by between nine and ten percentage points. Compared with the previous year, the fulfilment in the Czech Republic fell by 0.7 percentage points because there was a reduction in the number of employed persons in 2003. In order to achieve the medium-term goal, i.e. a share of 67% by 2005 inclusive, overall employment must increase over the next two years by 2.3 percentage points, i.e. in the next two years there should be a rise by approximately 1.2 percentage points (three times' the increase registered in 2002!).

The employment rate for women in the Czech Republic deteriorated in 2003. Despite the decline by 0.7%, we continue to enjoy a higher value than the average in either the old or new EU. Last year, it was the only indicator where the Czech Republic achieved the value set as the medium-term target for 2005. Compared with the previous year, the shares of comparable Member States (Denmark, Holland) also fell by between 1.2% and 0.4%. However, the initial base of these countries remains much higher than in the Czech Republic (by between ten and fifteen percentage points). The average annual rise in both the old and the new EU is, unlike the Czech Republic, positive.

The Czech Republic reported an improvement only in the employment rate of older persons (+1.5%), but this is fully in line with the other Member States. Denmark and Holland recorded even higher increases. The improvement in this indicator reflects the modifications which have been made to the terms and conditions of early retirement. Other prepared changes in the pension system (a rise in the age limit for retirement, further conditions to deter early retirement) form the basis for the long-term goal. However, in order to achieve a 50% share employment will have to rise by almost eight percentage points by 2010.

b) Improvements in the quality and productivity of labour

Better quality labour is closely associated with the shift towards a competitive, knowledge-based economy and should be achieved by joint efforts from all the parties involved, and in particular through social dialogue. The quality of labour is a multidimensional concept related to the characteristics of jobs and the broader labour market. It includes the internal quality of work, skills, lifelong learning and career development, sexual equality, safety and health at work, flexibility, integration and

access to the labour market, labour organization and a life/work balance, social dialogue and the employee inclusion, variety and non-discrimination, and general work performance.

Increases in the employment rate must go hand in hand with a rise in overall labour productivity. Quality in labour can help increase productivity, and synergy between both these factors should be exploited fully. This is a specific challenge for social dialogue. The actual fulfilment of these objectives in the national policy will reflect the fulfilment of Priorities 3, 4, 6, and 7 of the Employment Guidelines.

Increases in the employment rate are also dependent on a flexible education structure within the population, on access to education, and on the response of the education system to economic and social requirements.

c) Reinforcement in social cohesion and inclusion

Employment is a key instrument for social inclusion. The employment policy should act in synergy with an open method of coordination in the field of social protection to facilitate participation in employment by means of supported access to quality jobs for all men and women capable of work, by combating discrimination on the labour market, and preventing the exclusion of people from the world of work.

Economic and social cohesion should be reinforced by reductions in regional disparities in employment and unemployment, by finding solutions to employment problems in less developed areas of the EU, and by promoting economic and social restructuring. The principal area of attention within the National Action Plan for Employment will focus on the implementation of Priorities 1, 8, 9, and 10.

As in other EU Member States, the National Action Plan for Social Inclusion (NAPSI) will be the Czech Republic's strategy and main tool in combating poverty and social exclusion. Under Resolution No 1241 of 10 December 2003, the Czech government approved the Joint Memorandum on Social Inclusion of the Czech Republic and the Commission. The Joint Memorandum on Social Inclusion was signed on 18 December 2003 by the Minister of Labour and Social Affairs and the European Commissioner for Employment and Social Affairs.

Council Recommendation on the implementation of the Member States' employment policies for 2004

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 128(4) thereof,

Having regard to the opinion of the Employment Committee,

Whereas:

- (1) The European Employment Strategy has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy. The successful implementation of the Lisbon agenda calls for the employment policies of Member States to foster, in a balanced manner, the three complementary and mutually supportive objectives of full employment, quality, and productivity at work, and social cohesion and inclusion. The achievement of these objectives requires further structural reforms concentrating on ten key specific priorities and improved governance.
- (2) The reform of the European Employment Strategy in 2003 has placed the emphasis on medium-term orientation and on the importance of implementation of the full range of policies recommended in the European Guidelines. The Employment Guidelines should therefore be fully reviewed only every three years, while in the intermediate years their updating should remain strictly limited.
- (3) The Council adopted without change the Guidelines for the employment policies of the Member States in 2004 by Decision ...
- (4) The Council adopted a recommendation on the implementation of Member States' employment policies on 22 July 2003¹. The examination of the Member States' National Action Plans for employment contained in the Joint Employment Report 2003-2004 shows that Member States and the social partners have given limited responses to these Council recommendations.
- (5) The European Employment Taskforce recommended that the EU should address more forceful recommendations to the Member States. Priority should be given to increasing the adaptability of workers and enterprises; attracting more people to enter and remain on the labour market, making a real option for all; investing more and more effectively in human capital and lifelong learning; and ensuring effective implementation of reforms through better governance. The Council and the Commission share this

¹ JOL 197 of 5 August 2003

assessment and have integrated the policy messages of the Employment Taskforce report in the Joint Employment Report.

- (6) The analysis of the implementation of the Guidelines and 2003 Council recommendations in the Joint Employment Report and the general and country-specific policy messages in the Employment Taskforce report provide the basis for the formulation of the EU recommendations for national employment policies in 2004.
- (7) The Employment Guidelines will apply to the new Member States upon accession. All of the new Member States have reported over the last few years on the implementation of Joint Assessment Papers which refer to the Employment Guidelines. In order to ensure the successful implementation of the ongoing restructuring of their economies, most of the new Member States need to act together with social partners to modernize their employment policies. The new equilibrium between flexibility and protection, greater labour participation, and investment into human capital via lifelong learning, as well as the need to improve the health of the workforce, are of fundamental significance. Social partnership and a significant improvement in the administrative capacity of public authorities continue to be the decisive factor in most new Member States in achieving the full implementation and effective use of support from the European Social Fund, the main instrument for investment into human capital and lifelong learning.
- (8) The country-specific messages contained in the report of the European Employment Taskforce are fully consistent with the examination of the JAP implementation reports, and may serve as guidance for the implementation of the Employment Guidelines in the new Member States.

HEREBY RECOMMENDS that the Member States take action specifically addressed to them which is laid down in the annex superseding the Council recommendation of 22 July 2003.

Done at Brussels, ...

For the Council
President

Specific Council recommendations to the Czech Republic for 2004

The employment rate in the Czech Republic is slightly above the EU-15 average. Unemployment is around the EU-15 average, but has been slowly increasing since the mid-1990s. The employment rate of older workers is close to the EU average but low, particularly for women, given the early statutory retirement age. Regional imbalances are important.

Increasing adaptability of workers and enterprises

In pursuing its strategy for economic and employment growth, the Czech Republic needs to ensure that wage developments remain in line with productivity developments.

The high tax wedge in labour income and the high non-wage labour costs hinder job creation and prices low-skilled labour out of the labour market and into welfare benefits and/or into undeclared work. A coherent reform of the tax and benefit system should therefore further discourage welfare dependency and ensure that regular work pays.

Attracting more people to the labour market and making work a real option for all

While standing above the EU average, raising the participation of women and older workers should be a priority. In this respect, removing obstacles to part-time work can make an important contribution.

More efforts are needed to integrate the most vulnerable groups in the labour market. This is particularly needed in regions other than Prague and for the Roma population. This calls for preventive and active labour market measures, combined with anti-discrimination measures, placing a strong emphasis on education, training, support to entrepreneurship and job creation. Modernizing the public employment services should be seen as a priority.

Investing more and more effectively in human capital and lifelong learning

Building on the recent strategy for human resources development, raising participation in tertiary education and in training, both overall and for the low-skilled, seem crucial to sustain job creation and support occupational and geographic mobility.

II. Reaction of the national employment policy to the priorities of the EU employment policy guidelines and to the specific Council recommendation to the Czech Republic

PRIORITY 1 – ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE

Member States shall develop and implement active and preventive measures for unemployed and inactive persons to prevent an increase in the number of long-term unemployed and to support the sustainable integration of unemployed and inactive persons into employment.

Member States:

- a) *shall ensure that in the early stages of their unemployment all job-seekers can draw on the benefits of the timely formulation of their needs and services, such as counselling, guidance, help in finding work, and individual action plans;*
- b) *shall offer job-seekers, based on the above-mentioned identification of needs, access to efficient and effective measures to promote their employability and chances of integration, with special attention on people with the greatest difficulties on the labour market;*

Member States shall ensure that:

- each unemployed person is offered a new start by the time he has been unemployed for six months in the case of young people and twelve months in the case of adults, such being in the form of training, retraining, work experience, a work placement, or other measure to promote his employability, and, where necessary, with ongoing assistance in finding work;
 - by 2010, 25% of the long-term unemployed have taken part in a measure, such being in the form of training, retraining, work experience, a work placement, or other measure to promote employability, with the aim of achieving the average of the three best Member States in this respect.
- c) *shall modernize and reinforce the institutions of the labour market, especially employment services;*
 - d) *shall carry out regular assessments of the efficiency and effectiveness of labour market programmes, and shall modify these programmes based on these assessments.*

Context

The national employment policy is currently preparing the corresponding reaction to the key problems of the Czech labour market, i.e. to:

- the excess of workforce supply over demand in most of the country, especially in the regions of north-western Bohemia, north and south Moravia, most affected by the consequences of restructuring and the decline in existing key sectors,
- the lack of harmonization in skills and qualifications between the supply and demand of the released workforce (the structural nature of employment),
- the lack of harmonization of social benefit systems, which do not sufficiently motivate citizens to prefer work income over the collection of social income,
- insufficient capacity of labour offices (personnel and financial), preventing the incorporation of the required number of job-seekers into programmes of the active employment policy (so far up to approximately 15% of registered job-seekers).

The Ministry of Labour and Social Affairs assumes that the development of active and preventive measures for unemployed and inactive persons will be further considerably by a new Employment Act, passed with effect as of 1 October 2004. This law contains a number of new measures in the active employment policy, such as an expansion of contributions for employers, a wider range of entities that will be able to take part in retraining, individual plans as a new means of improving consulting and mediating activities, especially for the category of job-seekers which receives greater care in the mediation of employment (Section 33 of the Employment Act). This legislation also allows for cooperation among other entities on the labour market, such as nonprofit organizations, on a wider scale than before.

The new law also contains other elements responding to the problems of the labour market, such as an expansion in the activities of intermediate agencies, measures against illegal work, the opportunity for job-seekers to receive certain extra earnings while drawing unemployment benefit. The Ministry of Labour and Social Affairs will strive to ensure that all job-seekers, in the early stages of their unemployment, are able to formulate their needs through counselling and individual action plans for the mediation of work.

In order to secure these objectives, especially with an emphasis on active and preventive measures, the Ministry of Labour and Social Affairs will focus, over the next three years, on a corresponding rise in personnel and financial capacities to achieve fulfilment in the scope given by the approved medium-term budget outlook up to 2006. The need for more funding for active employment policy programmes cannot be resolved by another rise in the payment obligations of employers, which would impair their competitiveness in the conditions of an enlarged EU. Therefore, the Ministry of Labour and Social Affairs will concentrate on reaching an accord with social partners on an acceptable solution for the restructuring of current payment liabilities and on redistributing these liabilities in favour of support for the active employment policy, lifelong learning, and public employment services.

Based on its involvement in the strategy of social inclusion, announced by the Lisbon Summit in March 2000, the Czech Republic is preparing a National Action Plan for Social Inclusion for 2004-2006 (NAPSI). The guarantor of these preparations is the Ministry of Labour and Social Affairs, which has set up a working committee for these preparations composed of representatives of individual ministries, government bodies, regional and local authorities, social partners, nonprofit organizations, and independent experts. The NAPSI will be presented to the European Commission in July this year. The objectives of the NAPSI are:

- to facilitate participation in employment and access to all sources, rights, goods and services,
- to prevent the risks of social exclusion,
- to help the most vulnerable,
- to mobilize all relevant authorities.

The individual priorities of the NAPE 2004-2006 are connected with the individual priorities and measures of programming documents, which are the basis for the use of the European Social Fund ('ESF') in the Czech Republic. These are the Human Resources Development Operational Programme ('HRD OP'), the Single Programming Document for Objective 3 of the NUTS 2 Region of Praha ('SPD 3'), and the EQUAL Community Initiative Programme.

Priority 1 of the NAPE will be supported out of the ESF in the framework of Measure 1.1 of the HRD OP 'Reinforcement of the active policy of employment in the employment of job-seekers and parties interested in employment' and Measure 1.1 of SPD 3 'Enlargement and increase in the scope addressed by the active employment policy'.

The measures of programming documents complement the active employment policy in the competence of the state with a broader range of activities and with the focus of these activities on a wider group of persons. An emphasis is placed on an individual approach to the client.

Measures:

1.1 Commencing on 1 January 2004, the Ministry of Labour and Social Affairs launched the implementation of a programme of prevention aimed at long-term unemployment, 'First Opportunity', which is intended for *all young job-seekers up to the age of 25 years old and up to the first six months of their registration* (including school-leavers). The aim of the programme is to offer each young unemployed person a job or to increase his employability in the form of counselling, training, retraining, work experience, or other measure within the first six months of his unemployment. The Ministry will try to improve the quality of programme implementation, especially by preparing employees from the competent sections of the labour offices and cooperating organizations, by depending cooperation between the individual departments of labour offices and regional social partners, and by procuring services in accordance with the new Employment Act.

1.2 The Ministry of Labour and Social Affairs will continue the pilot assessment of the New Start programme at ten labour offices, i.e. a similar programme for adult job-seekers over the age of 25 who have not been registered for more than 12 months. The Ministry will try to create personnel and financial conditions for the blanket implementation of a programme at all labour offices by 1 January 2007.

1.3 The Ministry of Labour and Social Affairs, in cooperation with the labour offices and other entities, will increase the share of long-term unemployed job-seekers placed in programmes of the active employment policy so that in 2006 20% of long-term unemployed persons (including members of the Roma communities) take part in an active measure in 2006, especially in the form of counselling activities, training, retraining, work experience, short-term work placements, and other measures intended to support employability. These programs will be complemented as required with supporting activities and side projects.

1.4 The Ministry of Labour and Social Affairs, further to the tasks laid down in Government Resolution No 237 of 17 March 2004, on the 'Process and guidelines for the reform and modernization of state administration authorities, containing a solution for coordination and organization', will handle the issue of distributing conceptual and operative governance in the field of employment via the Ministry's Employment Services Administration, including the necessary reinforcement of both lines of governance, with the aim of securing the tasks required of the Czech Republic based on the implementation of the European Employment Strategy.

1.5 In July 2004, the Ministry shall submit a National Action Plan for Social Inclusion for 2004-2006 to the government for discussion.

1.6 The Ministry of Labour and Social Affairs will continue, in the framework of the Council of Economic and Social Agreement, to hold discussions with social partners and other ministries concerning the search for financial resources to increase the volume of funding for the active employment policy, e.g. by restructuring the non-wage costs of labour (or by other means).

1.7 The Ministry of Labour and Social Affairs, in cooperation with Prague Research Institute of Labour and Social Affairs, will ensure the preparation of a system and the methodology required for regular assessments of the efficiency and effectiveness of programmes of active employment policy and the implementation thereof by the end of 2005.

PRIORITY 2 – JOB CREATION AND ENTREPRENEURSHIP

Member States shall strive to create more and better jobs by supporting enterprise, innovation, investment capacities, and a favourable business environment for all undertakings. Special attention will be paid to the exploitation of the potential of new undertakings, the service sector, and research and development for the creation of new jobs. With support of the process of comparing the policies of enterprise encouragement and the implementation of the European Charter for Small Enterprises, the policies will focus on:

- the simplification and reduction of administrative and regulatory burdens for beginner enterprises, for small and medium-sized enterprises, and for the admission of employees, easier access to capital for beginner companies, new and existing small and medium-sized enterprises, and undertakings with high potential for growth and job creation (see also BEPG, Guideline 11);
- the support of education and vocational training in the field of business and managerial skills, including vocational training, which will ensure that everyone has the possibility of selecting entrepreneurship as a career.

Context:

In the period up to 2006, the aim of the government policy is to increase the share of small and medium-sized enterprises in the economy with the aim of increasing the dynamism of growth and employment, contributing to the higher export performance of small and medium-sized business, boosting the economic recovery in structurally handicapped regions and economic equilibrium, increasing the standard of technology and the competitiveness of small and medium-sized enterprises, and helping their successful incorporation into the internal market of the EU, promoting the cooperation of small and medium-sized innovative companies with research centres at universities, the Academy of Sciences of the Czech Republic, state and private research institutions, large manufacturers, etc., easing the entry of citizens into enterprise, applying means and mechanisms for the support of small and medium-sized enterprises in accordance with the rules of the European Union. Attention will also be paid to the creation of new jobs in services (Plan for the Support of Small and Medium-Sized enterprises in 2005 and 2006, approved under Resolution No 590 of 9 June 2004).

One of the areas of service development, as a factor increasing employment, is the development of services connected with tourism. The Czech government has discussed the conditions for the development of tourism in the Czech Republic (Resolution No 401 of 28 April 2004) and approved measures to eliminate obstacles hindering the development of tourism which require interdepartmental cooperation.

This priority will be subsidized out of the ESF in the framework of the HRD OP and SPD 3 – Measure 4.1 ‘Increasing the adaptability of employers and employees to changes in economic and technological conditions, supporting competitiveness’ and part of Measure 4.2 ‘Specific training’ under the HRD OP.

Measures:

2.1 The Ministry of Industry and Trade and other ministries, in cooperation with the representatives of the public and private sector, will focus, within the 'Council for the Development of the Business Environment', on simplifying and reducing administrative and regulatory burdens for beginner undertakings and small and medium-sized enterprises and for the admission of employees, on easier access to capital for beginner companies, new and existing small and medium-sized enterprises, and enterprises with high potential for growth and job creation. The development of small and medium-term business in the field of competitiveness will be supported by the implementation of the PHARE 2003 programme.

2.2 The Ministry of Industry and Trade will ensure the provision of subsidies to small and medium-sized enterprises, via Českomoravská rozvojová a záruční banka, in the framework of approved programmes of support.

2.3 The Ministry of Industry and Trade, in cooperation with the Ministry of Finance and the Ministry of Labour and Social Affairs, will continue to provide investment incentives in accordance with Act No 72/2000, on investment incentives, as amended, and will continue to implement the Framework Programme for the Support of Technology Centres and Strategic Service Centres (Government Resolution No 1238 of 10 December 2003).

2.4 The Ministry of Education, Youth, and Sport, in cooperation with the Ministry of Industry and Trade and the Ministry of Labour and Social Affairs, will support (in line with stated labour market requirements, a reinforcement in business and managerial skills in the relevant area of activities by means of the consistent updating of study documents, enabling graduates to acquire the basis required to engage in business.

2.5 The Ministry of Education, Youth, and Sport, in cooperation with the Ministry of Labour and Social Affairs and Ministry of Industry and Trade, will ensure support for education, vocational training, and work experience in the fields of entrepreneurial and managerial skills, enabling everyone to choose entrepreneurship as a career.

2.6 The Ministry of Labour and Social Affairs, in cooperation with social partners and the Ministry of Education, Youth, and Sport, will prepare a draft of systems for the recognition of work experience, valid in selected branches, which is independent of the acquisition of any normal level of education.

2.7 The Ministry of Labour and Social Affairs shall set up two pilot regional training centres as part of the employment services in Havířov and Jihlava, focusing on a change or increase in the skills and qualifications of inhabitants who have been trained in professions that can no longer guarantee work on the labour market.

2.8. The Ministry of Industry and Trade, in cooperation with the Ministry of Labour and Social Affairs, shall conduct an analysis in the field of industrial services in order to gauge the potential of this sector for the labour market and for the support of service exports.

PRIORITY 3 - ADDRESS CHANGE AND PROMOTE ADAPTABILITY AND MOBILITY IN THE LABOUR MARKET

Member States will facilitate the adaptability of workers and firms to change, taking account of the need for both flexibility and security and emphasizing the key role of the social partners in this respect.

Member States will review and, where appropriate, reform overly restrictive elements in employment legislation that affect labour market dynamics and the employment of those groups facing difficult access to the labour market, develop social dialogue, foster corporate social responsibility, and undertake other appropriate measures to promote:

- diversity of contractual and working arrangements, including on working time, favouring career progression, a better balance between work and private life and between flexibility and security;
- access for workers, in particular for low-skill workers, to training;
- better working conditions, including health and safety; policies will aim to achieve in particular: a substantial reduction in the incidence rate of accidents at work and of occupational diseases;
- the design and dissemination of innovative and sustainable forms of work organization, which support productivity and quality at work;
- the anticipation and the positive management of economic change and restructuring.

Member States will address labour shortages and bottlenecks through a range of measures such as by promoting occupational mobility and removing obstacles to geographic mobility, especially by implementing the Skills and Mobility Action Plan, improving the recognition and transparency of qualifications and competencies, the transferability of social security and pensions rights, providing appropriate incentives in tax and benefit systems, and taking into account labour market aspects of immigration.

The transparency of job and training opportunities at national and European level should be promoted in order to support effective job matching. In particular, by 2005, job-seekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services.

Context:

Labour-law regulations currently allow for and promote the adaptability of labour. For example, there are diverse forms of flexibility in labour-law relations, e.g. shorter working hours, a different timetable of working hours, adjusted working hours, work at home, second jobs, the sharing of a single job, etc.

The conditions of sickness insurance influence employment indirectly, in particular the amount of time employees take off work due to work incapacity (sick leave). During 2003, changes were prepared and, with effect as of 1 January 2004, approved in connection with the first stage of public finance reform. These changes primarily entail:

- an extension to the decisive period used to determine the daily assessment base for the appointment of sickness insurance benefits from the calendar quarter to twelve calendar months;
- a reduction in the amount of the daily assessment base so that, over the first 14 calendar days of work incapacity, only 90% of the amount up to CZK 480 is counted;
- a reduction in sickness insurance for the first three days of work incapacity from 50% to 25%;
- an extension to the time over which the reduction limit of the daily assessment base will not be increased to include 2004 and 2005.

The general principle of the Sickness Insurance Act, presented by the Ministry of Labour and Social Affairs, was approved under Government Resolution No 104 of 4 February 2004. The system is essentially conceived as a uniform system; in this system, the insurance elements will be reinforced. Sickness insurance will continue to be based on the principle of solidarity between the healthy and the sick; solidarity between persons with higher and lower incomes will be restricted (due to the reinforcement in insurance elements), sickness insurance will be compulsory for employees and voluntary for self-employed persons. Employers will contribute to the financial security of employees during periods of work incapacity; protective elements of the system will be reinforced to stem abuse. The system will respect international commitments.

On 31 March 2004, under Resolution No 294 the government approved the general principle of the Act on Insurance for Damage to Health due to an Industrial Accident or Occupational Disease (the Accident Insurance Act). This is a new, pay-as-you-go, system of accident insurance intended to motivate employers and employees to create conditions for work safety and health at work.

In cooperation with the competent ministries (the Ministry of Industry and Trade, the Ministry for Regional Development, the Ministry of Education, Youth, and Sport) and social partners, the Ministry of Labour and Social Affairs will promote the adaptability of employees and employers to changes in the labour market; the Ministry will take into account the need for flexibility and for the protection of employees, and will emphasize the key role of social partners in this respect.

In the framework of this process, overly restrictive labour-law legislation which influences the dynamism of the labour market and the employment of groups of citizens who have difficult access to the labour market will be reviewed and, where necessary, reformed, social dialogue will be developed, the social responsibility of employers will be developed, and suitable measures will be taken.

A condition for an increase in the geographic mobility of citizens on the labour market is the elimination of economic and legislative obstacles preventing the emergence of a functioning housing market. The Rent Bill presented by the government was not passed by the Chamber of Deputies. The bill presented in the form of a parliamentary bill was also rejected. Further developments in this area are a matter of political consensus. The bill on the support of cooperative housing construction out of the State Housing Development Fund and on an amendment to certain laws, was presented to the government by the Ministry for Regional Development on 4 June 2004.

This priority will be promoted out of the ESF in the framework of HRD OP and SPD 3 – Measure 4.1 ‘Increasing the adaptability of employers and employees to changes in economic and technological conditions, promoting competitiveness’. This measure focuses on the development of vocational skills and competencies and on an increase in the skills and qualifications of employers and employees in relation to the ongoing structural changes by implementing the relevant programmes of vocational training, including training in the field of information technology, sustainable development, and the promotion of health in the workplace.

Measures:

3.1 The **Ministry of Labour and Social Affairs** will prepare a new bill, with estimated effect as of 30 June 2006 at the latest.

3.2 The **Ministry of Labour and Social Affairs** has prepared a Work Inspection Bill, which the government approved under Resolution No 500 of 26 May 2004. The aim of the bill is to create a new system of independent, comprehensive, and efficient state supervision of the observance of labour-law regulations, achieve a substantial reduction in the occurrence of industrial accidents and occupational diseases, and reduce cases of non-observance of labour-law regulations.

3.3 The **Ministry of Labour and Social Affairs** will prepared and submit to the government, by 30 September 2004, a bill on insurance for cases of damage to health due to an industrial accident or occupational disease (the Accident Insurance Act).

3.4 The **Ministry of Labour and Social Affairs**, in the scope of the second stage of sickness insurance system reform, will present the paragraphed wording of a new Sickness Insurance Act, with estimated effect as of 1 January 2006, by 30 September 2004.

3.5 The **Deputy Prime Minister for Research and Development, Human Rights, and Human Resources, in cooperation with the Ministry of Labour and Social Affairs, Ministry of Education, Youth, and Sport, and Ministry of Industry and Trade**, in the Programme for the Implementation of the Human Resources Development Strategy for the Czech Republic, will focus on the creation of conditions for an improvement in access to training, including for low-skill employees who are difficult to place on the labour market and for job-seekers who receive special care in the mediation of employment.

3.6 The **Ministry for Regional Development**, if the bill on the promotion of cooperative housing construction is passed by the government and the Czech Parliament, will ensure the implementation of this legislation.

3.7 **Social partners** will strive, in the scope of collective bargaining at all levels, to prepare possibilities facilitated by the Labour Code in the field of flexible schemes of working hours, with the aim of maintaining employment and increasing the competitiveness of employees and enterprises on the labour market.

3.8 The **competent working teams of the Council of Economic and Social Agreement** will prepare proposals for the plenum of the Council of Economic and Social Agreement related to an increase in geographic mobility by making the transportation of employees to their employment more advantageous; if approved, the Council plenum will make the recommendation to the government that these proposals be implemented.

PRIORITY 4 - PROMOTE THE DEVELOPMENT OF HUMAN CAPITAL AND LIFELONG LEARNING

Member States will implement lifelong learning strategies, including through improving the quality and efficiency of education and training systems, in order to equip all individuals with the skills required for a modern workforce in a knowledge-based society, to permit their career development and to reduce skills mismatch and bottlenecks in the labour market.

In accordance with national priorities, policies will aim in particular to achieve the following outcomes by 2010:

- at least 85% of 22 year olds in the European Union should have completed upper secondary education,
- the European Union average level of participation in lifelong learning should be at least 12.5% of the adult working age population (25-64 age group).

Policies will aim in particular to achieve an increase in investment in human resources. In this context, it is important that there is a significant increase in investment by enterprises in the training of adults with a view to promoting productivity, competitiveness and active ageing. Efficient investment in human capital by employers and individuals will be facilitated.

Context:

Education, and in particular vocational training for life in a knowledge-based society, is one of the main goals of the government. Under Resolution No 210 of 3 March 2003, the government approved the Human Resources Development Strategy for the Czech Republic. The Strategy contains five interconnected objectives based on the priority requirements of the Czech economy and society:

- establish lifelong learning as a common practice,
- prepare citizens for the challenges arising from the information and knowledge society, the global economy, the need for sustainable development, and accession to the EU,
- increase the competitiveness of the Czech economy and its attractiveness for investors,
- increase the employability of the workforce and therefore increase employment,
- improve the use of limited resources and the mobilization of funding for the development of human resources.

In the HRD OP (and in the SPD 3), the whole of Priority 3 'Development of lifelong learning' and its measures 3.1 'Improving the quality of education in schools and educational establishments and development of support systems for education', 3.2 'Promotion of tertiary education, research and development', and 3.3 'Development of other professional education', are devoted to lifelong learning.

Measure 3.3 focuses on the development of the range of further professional training in a systematic manner and on the implementation of key system mechanisms into this field. The implementation of these measures will contribute to the establishment of a system of recognized qualifications and skills, interlinking the educational and employer spheres, motivating employers and other social partners to become involved in the creation of the content and methods of education and requirements of certification.

In the EQUAL IS, this theme is covered in the fifth thematic area 'Promoting lifelong learning and processes enabling the employment of persons from disadvantaged and discriminated groups on the labour market'.

Measures:

4.1 The Deputy Prime Minister for Research and Development, Human Rights, and Human Resources, in cooperation with all members of the government, will draw up and present to the government, by 30 September 2004, a Programme for the Implementation of the Human Resources Development Strategy for the Czech Republic, which will allow for the implementation of a strategy of lifelong learning, including inter alia an improvement in the quality and efficiency of systems of education, especially vocational training, with the aim of equipping everyone with the skills required of a modern workforce in a knowledge-based society, enabling them to develop their careers, and therefore reducing the imbalance on the labour market.

4.2 The Ministry of Labour and Social Affairs will expand the range of training programmes of professional education for job-seekers in close connection with counselling programmes and other supporting activities, in the framework of Information and Advice Centres it will expand existing counselling on choosing and changing a career, and will develop counselling on further professional training, and expand the information system for the supply of training activities to include further professional training (DAZ CZ) and other components.

4.3 Within the Council of Economic and Social Agreement, the Ministry of Labour and Social Affairs will continue negotiations with social partners and other ministries on the restructuring of non-wage labour costs (or other opportunities) with the aim of acquiring financial resources for an increase in the volume of funding to implement the process of lifelong learning, especially further professional education.

4.4 The Ministry of Education, Youth, and Sport, in cooperation with the Office of the Deputy Prime Minister for Research and Development, Human Rights, and Human Resources, attached to the Government Office, and in cooperation with the Ministry of Labour and Social Affairs, Ministry for Regional Development, and social partners, will submit a draft general principle for an act on further education and will continue preparing the actual law.

4.5 The Ministry of Labour and Social Affairs will cooperate with the Ministry of Education, Youth, and Sport, further to the approval of the general principle for the act on further education, on the preparation of this law, especially in the field of further professional education.

4.6 The **Ministry of Education, Youth, and Sport, in cooperation with the Ministry of Labour and Social Affairs**, will prepare the adjusted required study documents for subjects where the results of informal training are recognized.

4.7 The **Ministry of Labour and Social Affairs** will prepare a proposal of the principles for the establishment of a regional network of training centres and their gradual development.

4.8 The **Ministry of Education, Youth, and Sport** will continue implementing the State Information Policy in education until 2006 and will support the training of the public in information literacy. It will continue the intensive preparation of pedagogical employees in the field of ICT skills with the aim of achieving full use ICT skills among school-leavers.

4.9 In the framework of the system of evaluation which is currently being prepared, the **Ministry of Education, Youth, and Sport** will give a pilot run to the adjusted concept of final examinations, based on uniform thematic requirements. It will also ensure the preparation of a new system of educational subjects, and add possibilities to the integrated information system for school-leavers to be placed on the labour market.

4.10 The **Ministry of Education, Youth, and Sport**, in cooperation with the Ministry of Labour and Social Affairs, will prepare a draft concept for careers and professional advice in the Czech Republic.

4.11 The **Ministry of Agriculture**, in accordance with the adopted ministerial concept of vocational training, will oversee the implementation of a ministerial system of further vocational education to ensure equal access to education in the field of agriculture, thus increasing competitiveness in agricultural branches. The Ministry will set qualification requirements for the performance of ministerial activities for further vocational training, create conditions for improved skills and qualifications among employees in the field of agriculture, for the organization and administration of the agenda of the vocational training system, set conditions for the funding of training activities, and prepare retraining courses for increases in and changes to qualifications in the field of agriculture.

4.12 **Social partners**, in the field of collective bargaining at all levels, will strive to lay down terms and conditions in collective agreements for the implementation of principles of lifelong learning, with the aim of maintaining employment and increasing the competitiveness of employees and enterprises on the labour market.

4.13 The **competent working teams of the Council of Economic and Social Agreement** will prepare proposals for the plenum of the Council of Economic and Social Agreement related to an increase in the motivation of employers to support the further vocational and professional training of their employees and an increase in the motivation of employees to keep training; if approved, the Council plenum will make the recommendation to the government and the Government Council for Human Resources Development that these proposals be implemented

PRIORITY 5 – INCREASE LABOUR SUPPLY AND PROMOTE ACTIVE AGEING

Member States will promote an adequate availability of labour and employment opportunities to support economic growth and employment, taking into account labour mobility, as indicated in specific guideline 3. Member States will:

- increase labour market participation by using the potential of all groups of the population, through a comprehensive approach covering in particular the availability and attractiveness of jobs, making work pay, raising skills, and providing adequate support measures;
- promote active ageing, notably by fostering working conditions conducive to job creation – such as access to continuing training, recognizing the special importance of health and safety at work, innovative and flexible forms of work organization – and eliminating incentives for early exit from the labour market, notably by reforming early retirement schemes and ensuring that it pays to remain active in the labour market; and encouraging employers to employ older workers;

In particular, policies will aim to achieve, by 2010, and increase by five years, at EU level, of the effective average exit age from the labour market (estimated at 59.9 in 2001). In this respect, the social partners have an important role to play. Any national targets should be consistent with the outcome expected at the EU level and should take account of particular national circumstances.

- and, where appropriate, give full consideration to the additional labour supply resulting from immigration.

Context:

Czech society is ageing, the share of seniors over the age of 60 in the population in the Czech Republic is rising; according to demographic projections, this share will increase to 23.5% in 2010, to 27.7% in 2020, and to 30.6% in 2030. Up to the 1990s, ageing was not a serious problem in the Czech Republic, but in the past ten years there has been a change. Czech society must respond to the proves of the ageing population and create a plan to balance out the consequences of this phenomenon.

In accordance with the principles of international documents, especially the International Action Plan for the Problem of Ageing (Vienna 1982), Principles for Seniors adopted in 1991, and the International Action Plan for the Problem of Ageing, adopted by the UN in 2002, the Ministry of Labour and Social Affairs has been responsible for preparing a National Programme of Preparation for Ageing for 2003-2007, which was approved by the Czech government under Resolution No 485 of 15 May 2002.

The aim of this National Programme is to create conditions to address the issue of ageing and to achieve a change in the attitudes and approaches at all levels, leading to a society for all generations. The actual fulfilment of the programme and its objectives is broken down into measures where individual ministries are set responsibility for tasks.

The field of employment is linked to Section III of the Programme, Measures 1-8, the aim of which is state aid to remain in employment and the creation of conditions to increase the employment of older employees. By creating conditions and opportunities for older employees to remain in work or to rejoin the labour market, the aim is to prolong the active stage of their lives and therefore gain substantial working and economic resources for society. The first information about the fulfilment of the Programme will be presented to the government by 31 October 2005.

In connection with the first stage of public budget reform and in the framework of continuing the reform of the system of basic pension insurance, in 2003 changes were prepared (and approved with effect as of 1 January 2004) intended (in accordance with the conclusions of the Lisbon and Barcelona Summits) to increase the working involvement of older persons, to increase the real retirement age, and to reduce the motivation for early retirement. Specifically, these changes involve:

- a continuation of the gradual increases in the age limit for an entitlement to an old age pension even after 2007, such being by two months a year for men and four months a year for women, with the aim of achieving an age limit for the entitlement to an old age pension of 63 years for men and childless women, or 57 to 62 years for women depending on the number of children they have brought up. One of the plans of the fundamental reform of the basic pension insurance will be to adopt a targeted solution lying in the unification of this age limit for men and women;
- cancellation of the opportunity to grant a temporarily reduced premature old age pension (with a temporary exception until 31 December 2006 for those who have been granted a full or partial disability pension) and the retention of the possibility of granting only permanently reduced premature old age pensions, such being by up to three years before reaching the age limit for an entitlement to an old age pension. In the ongoing pension reform, there is a plan to allow for gradual retirement with the possibility of pension reviews irrespective of whether the pension is paid over the duration of gainful employment or not. If the possibility of early retirement were to be preserved in the future, in the scope of fundamental pension reform action would be taken (a reduction in the percentage assessment of permanently reduced early pension) to ensure that the system will remain neutral from the actuarial aspect; at the same time, a reduction in the period by which is possible to retire early (before reaching pension age) will be considered;
- cancellation of the restrictions on parallel old age pensions with gainful employment;
- a reduction in the scope of the study period for which premiums are not paid for the purposes of pension insurance. In the framework of pension system reform, the scope of replacement periods of insurance (periods during which premiums are not paid) will be reviewed with a view inter alia to reducing this scope.

The target group of older citizens (persons over the age of 50) appears in several priorities and measures of the HRD OP and SPD 3 – mainly at issue here are Measures 1.1 ‘Reinforcing the active employment policy in the employment of job-seekers and parties interested in employment’, 2.1. ‘Integrating specific groups of the population threatened with social exclusions’, and 2.2 ‘Equal opportunities for women and men on the labour market’, where pre-pension aged women are included among the target groups.

Measures:

5.1 The **Ministry of Labour and Social Affairs** will present a concept of pension system changes to the government based on the results of negotiations between all parliamentary parties and social partners and their agreement on the nature of pension system reform.

5.2 The **Ministry of Education, Youth, and Sport, in cooperation with the Ministry of Informatics and Ministry of Labour and Social Affairs**, shall create conditions, in the framework of earmarked funds, for the access of older employees and job-seekers and persons interested in employment to add to and expand the necessary skills and knowledge and to maintain their employment, especially in the field of computer and functional literacy and retraining.

5.3 The **Ministry of Labour and Social Affairs, in cooperation with other ministries and social partners**, will prepare, in the scope of drawing up the National Programme of Preparation for Ageing 2003-2007, a ‘Programme for ageing employees’, which will include legislative changes and a promotional campaign aimed at influencing the public and employees in favour of retaining the employment of older citizens and emphasizing the positive aspects of their employment.

5.4 The **Ministry of Labour and Social Affairs**, in the preparation of the new pension system reform, will also propose solutions to promote the full (or at least partial) economic activity of older employees. The aim of this legislation is to ensure a parallel partial old age pension together with part-time employment, so that this opportunity of employment is advantageous for the beneficiaries of pensions.

5.5 Social partners, in the scope of collective bargaining, will strive to prepare Social Programmes for older employees focusing on the provision of vocational knowledge and skills to older people so that they do not have to be released from their jobs and so that they can carry out other activities with the employer, enabling them to make more use of work for working hours less than the set weekly norm, or in combination with a pension, etc. When releasing people from their employment, it would be best to prefer programmes of active measures (consulting, retraining) rather than supply financial compensation in the form of higher severance pay.

PRIORITY 6 – GENDER EQUALITY

Member States will, through an integrated approach combining gender mainstreaming and specific policy actions, encourage female labour market participation and achieve a substantial reduction in gender gaps in employment rates, unemployment rates, and pay by 2010. The role of the social partners is crucial in this respect. In particular, with a view to its elimination, policies will aim to achieve, by 2010, a substantial reduction in the gender pay gap in each Member State, through a multi-faceted approach addressing the underlying factors of the gender pay gap, including sectoral and occupational segregation, education and training, job classifications and pay systems, awareness raising and transparency.

Particular attention will be given to reconciling work and family life, notably through the provision of care services for children and other dependants, encouraging the sharing of family and professional responsibilities and facilitating return to work after a period of leave. Member States should remove disincentives to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of provision, to provide childcare by 2010 to at least 90% of children between three years old and the mandatory school age and at least 33% of children under three years of age.

Context:

The situation of women on the labour market has remained the same for many years. While high employment among women is a characteristic feature of the Czech labour market, on the other hand women are often confronted with discrimination from employers, and it is usually women who take on worse paid jobs in worse conditions.

However, it cannot be said with any clarity that women are forced to work simply out of financial need – even though it would be difficult for the average Czech family to get by without two incomes. Public opinion polls on the status of women on the labour market, carried out for Ministry of Labour and Social Affairs by the Sociological Institution of the Czech Academy of Sciences, proved that for most Czech women work is the second most significant life value and that women assign the same level of significance to their work as most men: 85% of men and 83% of women say that work is important in their lives.

The inequality in the salaries/wages of men and women can be attributed to horizontal and vertical segregation. Therefore measures to reduce the imbalance in remuneration are primarily targeted at the removal, or at least an alleviation, of horizontal and vertical segregation.

Under Resolution No 453 of 12 May 2004, the government approved updated measures of the Priorities and procedures of the government in promoting the equality of men and women in 2004, and tasked government members with the fulfilment of specific measures related to employment, horizontal and vertical segregation, and the harmonization of family and working life.

Special attention will be paid to the harmonization of work and family life, especially by means of the provision of childcare services and care for other dependants, by support for the sharing of family and professional obligation, and by facilitating the return to employment. The approved amendment to the State Social Aid Act (Act No 453/2003) makes it possible to receive a parental allowance during gainful activity without any restrictions on the amount of earnings.

In the framework of the ESF, the quality of women and men is supported in Measure 2.2 'Equal opportunities for women and men on the labour market', and in EQUAL in the thematic field No 8 'Reducing gaps in the placement of women and men on the labour market'. These measures help to eliminate the persistent inequality or discrimination of both sexes. The activities under the measures are aimed at reinforcing the participation of women on the labour market, but also require the support and development of social services and systematic support to build up the capacity of service providers specializing in the care of children and seniors.

Measures:

6.1 The Ministry of Labour and Social Affairs, in implementing the employment policy, will coordinate the individual ministries and social partners as it promotes increased participation by women on the labour market, with the aim of achieving a substantial reduction in gaps in the employment rate, the unemployment rate, and the remuneration of men and women.

6.2 Members of the government will continue to fulfil the tasks laid down under Government Resolution No 453 of 12 May 2004 in promoting equal opportunities among men and women in the field of employment, horizontal and vertical segregation, and harmonization of family and working life.

PRIORITY 7 – PROMOTE INTEGRATION OF THE DISADVANTAGED INTO THE LABOUR MARKET AND COMBAT DISCRIMINATION IN THE LABOUR MARKET

Member States will foster the integration of persons facing particular difficulties on the labour market, such as early school-leavers, low-skilled workers, people with disabilities, immigrants, and ethnic minorities, by developing their employability, increasing job opportunities and preventing all forms of discrimination.

In particular, policies will aim to achieve by 2010:

- an EU average rate of no more than 10% of early school-leavers;
- a significant reduction in each Member State in the unemployment gaps for people at a disadvantage, according to any national targets and definitions;
- a significant reduction in each Member State in the unemployment gaps between non-EU and EU nationals, according to any national targets.

Context:

Legislation to ensure equal treatment and protection against discrimination in Czech legislation did not comply with the requirements of Community law in several areas. From the conceptual point of view, it was splintered. The lack of legislative unity was manifested in the different scope of obligations to ensure equal treatment and in the different scope of entitlements.

Therefore, under Resolution No 931 of 22 September 2003, the government approved the draft of the *general principle for an act guaranteeing equal treatment and protection against discrimination* and tasked the Prime Minister for Research and Development, Human Rights, and Human Resources, in cooperation with the Government Commissioner for Human Rights, with the preparation and submission to the government of the bill by 31 October this year. The bill implements a number of Community directives, especially Council Directive No 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions, Council Directive No 2000/43/EC, implementing the principle of equal treatment among persons irrespective of their racial or ethnic origin, and Council Directive No 2000/78/EC, establishing a general framework for equal treatment in employment and occupation.

The obligation to ensure equal treatment and protection against discrimination will relate to areas in the scope of Article 3 of Directive 2000/43/EC. The law will regulate the right to equal treatment in matters of the right to employment and access to employment, access to an occupation, entrepreneurship and other self-employed activities, in matters of working and other dependant activities, including remuneration and membership of trade unions. The law will also lay down the claims which victims of discrimination may seek.

The legal regulations of the Czech Republic do not yet provide for a uniform integrated system for the rehabilitation of disabled persons ('registered disabled'). There is no clear definition of the term 'rehabilitation' in Czech law and therefore this term may have a completely different content in various legal regulations or documents. Current legal regulations do not create sufficient legislative space and conditions or support for the creation of mutual interconnections and the necessary links and cohesion of individual areas of rehabilitation.

In accordance with Government Resolution No 547 of 4 June 2003, the policy statement of the Czech government, the plan of legislative tasks of the Czech government for 2004, the Ministry of Labour and Social Affairs, Ministry of Health, Ministry of Education, Youth, and Sport, the Government Committee for Disabled Citizens, and the National Council of Disabled Persons in the Czech Republic worked together to draw up a *general principle for an act on the rehabilitation of disabled persons*. The general principle of the law covers certain basic shortcomings in the field of the rehabilitation of disabled persons, especially the right of these persons to the provision of an integrated rehabilitation system in a necessary and expedient scope, and issues of cooperation and connections related to the influences of the individual areas of rehabilitation. The legal establishment of the provision of rehabilitation, as laid down in the bill, will make it possible to supply a comprehensive system of rehabilitation.

The aims of the state policy in relation to disabled persons were set out by the government in its *Medium-Term Conceptual State Policy for Disabled Persons*, approved under Resolution No 605 of 16 June 2004. At the same time, members of the government were commissioned to implement individual conceptual measures. A new national plan for the support and integration of disabled persons was also commissioned.

The target group of the government-approved *Concept for the Integration of Foreigners on the Territory of the Czech Republic* is foreigners who legally dwell in the Czech Republic for a period of at least one year. The aim of the Concept is to ensure that these foreigners have the same rights as those wielded by citizens of the Czech Republic and citizens of EU Member States, especially as regards access to the labour market and entrepreneurship, social security, and health care.

The government regularly discusses the situation of the Roma minority. It covered this issue comprehensively on 16 June 2004 under Resolution No 607, when it adopted the third update of the *Concept of Roma Integration*. This concept confirms the fundamental priorities of the Czech government in the field of Roma community integration. The Concept also refers to several obstacles in the application of the government policy in this area and proposes measures to facilitate this process.

The new version of the Concept points out the considerable lack of relevant and verified information about the Roma communities in the Czech Republic. In order to improve state, regional, and local policies in the field of Roma community integration, the government proposed the implementation of *long-term sociological research mapping out the situation of Roma communities in the Czech Republic*.

In the framework of the Concept, an amendment is being prepared to Act No 273/2001, on the *rights of members of national minorities* and on an amendment to certain laws. This amendment will regulate in greater detail the competence of regional authorities and municipal authorities of municipalities with extended competence in the field of the integration of members of Roma communities into society. It will also cover issues of methodological governance of the performance of the state administration in this field.

The main task for the upcoming period. To which the Concept refers, is the creation of an instrument which will make it possible to implement the tasks of the state policy in the field of eliminating social exclusion in cooperation with self-government at a regional and local level, and by drawing on the resources of the EU Structural Funds. This instrument will be similar to the *implementing agency* already established to help integrate the Roma in other EU Member States (e.g. Spain).

In order to form the basis for admission to the Czech Police Force, the Ministry of the Interior organizes preparatory courses for members of national minorities taking into account qualification requirements and their low level of education.

This priority of the National Action Plan for Employment is materially backed by the ESF in the framework of all the programming documents – at issue here is Measure 2.1 ‘Integration of specific groups of the population at risk of social exclusion’ in the HRD OP and SPD 3. In the field of employment, this measure will focus on long-term unemployment determined in particular by a change in work capacity, low level of skills and qualifications, and higher age category. The most at-risk groups cover persons who suffer from several different disadvantages.

In the EQUAL IS, the theme of social integration and the fight against discrimination appears in several thematic areas, e.g. ‘Improving access and a return to the labour market for persons who are difficult to integrate’, ‘Overcoming racism and xenophobia on the labour market’, ‘Improving conditions and instruments for the development of the business of persons from disadvantaged groups’, ‘The promotion of lifelong learning and processes allowing for the employment of persons from disadvantaged and discriminated groups on the labour market’.

Measures:

7.1 The Ministry of Labour and Social Affairs, in cooperation with the Ministry of Health, the Ministry of Education, Youth, and Sport, and the Government Committee for Disabled Persons, will prepare and submit to the government a bill on the rehabilitation of disabled persons.

7.2 The Ministry of Labour and Social Affairs will focus on the application of employment programmes at a local level for job-seekers from a different cultural environment, especially members of Roma communities, asylum-seekers, and foreigners with permanent residence in the Czech Republic.

7.3 The Ministry of Labour and Social Affairs will prepare, in cooperation with regional social partners and schools where it is possible to undertake training, retraining courses for the specific working requirements of job-seekers with a primary education so that, after successful streaming tests they can complete the final year in a two-year field of study and acquire an apprenticeship certificate, or so that they can continue their studies, enabling them to acquire an apprenticeship certificate in a three-year course of study (on a full-time basis for young people up to the age of 25 in particular, and on a part-time basis or as a correspondence course for adults over the age of 25 in particular).

7.4 The Ministry of Labour and Social Affairs, by means of labour offices, will motivate employers with a contribution for the employment of job-seekers who do not have the required qualifications or experience for a particular job and who, initially, will not generate a profit for the employer.

7.5 The Ministry of Labour and Social Affairs will continue to implement its pilot project 'Active selection of qualified foreign workers' and develop this project into a functioning system of migration management, and will speed up the necessary legislative changes in line with the knowledge gained from the pilot project so that there is a reduction in the abuse of employing skilled workers in unskilled professions, and in particular abuse in the field of illegal employment.

7.6 In accordance with the European Commission Memorandum on Lifelong Learning, the **Ministry of Education, Youth, and Sport** will prepare a draft system for the recognition of informal training and informal learning in order to achieve an adult level of education.

7.7 The Ministry of Education, Youth, and Sport will continue to promote an increase in the permeability of pupils from special needs schools by means of equalizing projects for secondary schools, with the aim of supporting the employability of pupils, especially those from socially weak families or a socially and culturally different environment.

7.8 By means of development projects in the scope of the State Information Policy in education, the **Ministry of Education, Youth, and Sport** will contribute to the possibilities of expanding information literacy and adaptability to the working process among pupils with special educational needs.

7.9 The Ministry of Education, Youth, and Sport will continue to expand the range of education available for disabled pupils who complete their compulsory school attendance.

7.10 The Ministry of Education, Youth, and Sport will foster conditions for an expansion in the range of education or pre-professional preparation of pupils at educational establishments for institutional and protective care.

7.11. The Deputy Prime Minister for Research and Development, Human Rights, and Human Resources, in cooperation with the Government Commissioner for Human Rights, will prepare the Action Plan of the Czech Republic for the 'Decade of Roma Integration 2005-2015' and will ensure the fulfilment of set priorities.

7.12. The Deputy Prime Minister for Research and Development, Human Rights, and Human Resources, in cooperation with the Executive Vice Chairman of the Government Committee for Disabled Persons, will present the government, by 30 June 2005, with a new national plan for the support and integration of disabled citizens for 2006-2009, based on the targets and tasks of the Medium-Term Concept of the State Policy for Disabled Citizens.

PRIORITY – MAKE WORK PAY THROUGH INCENTIVES AND ENHANCE WORK ATTRACTIVENESS

Member States will reform financial incentives with a view to making work attractive and encouraging men and women to seek, take up, and remain in work. In this context, Member States should develop appropriate policies with a view to reducing the number of working poor. They will review and, where appropriate, reform tax and benefit systems and their interaction with a view to eliminating unemployment, poverty and inactivity traps, and encouraging the participation of women, low-skilled workers, older workers, people with disabilities and those furthest from the labour market in employment.

Whilst preserving an adequate level of social protection, they will in particular review replacement rates and benefit duration; ensure effective benefit management, notably with respect to the link with effective job searches, including access to activation measures to support employability, taking into account individual situations; consider the provision of in-work benefits, where appropriate; and work with a view to eliminating inactivity traps.

In particular, policies will aim at achieving, by 2010, a significant reduction in high marginal effective tax rates and, where appropriate, in the tax burden on low-paid workers, reflecting national circumstances.

Context:

Legislation to date has been very demotivating. By accepting employment with a low wage, this can mean that citizens receive an overall working income which is the same or even lower than the income available from social benefits. This means that there is little motivation among certain beneficiaries to try to find work. The large number of legal provisions regulating this area has splintered the whole system, which in practice leads to a simplification of the application of legislation to mere mathematical operations.

With effect as of 1 January 2004, several minor modifications to the benefit system of state social welfare and social neediness entered into force, the aim of which was to increase the motivation of those collecting benefits to find a job or to increase their working income. However, the systematic solution to the situation is contingent on the preparation and adoption of new legal regulations, which will contain the principles of 'friendly employment'.

The Ministry of Labour and Social Affairs will coordinate the competent ministries and social partners in reforming financial stimuli with the aim of making work more attractive and encouraging men and women to look for work and remain in employment. In this context, suitable policies will be developed focusing on a reduction in the number of poor workers.

The Czech Parliament has passed a new Employment Act (which will enter into effect as of 1 October 2004). This law increases the motivation of job-seekers to accept employment by tightening the conditions related to the mediation of employment (especially for placement and maintenance in the records of job-seekers), by tightening the conditions for the benefit entitlements in periods of unemployment, by expanding the powers of labour offices in their inspection activities to combat illegal employment as regards the employment of foreigners, and in the field of inspections and administrative proceedings.

At the same time, the law introduces new provisions which will make it possible to give better support to job-seekers with various handicaps on the labour market to find work and to increase their employability, such as the possibility for a job-seeker to earn extra income under defined conditions, the comprehensive regulation of issues related to disabled persons and their status on the labour market, the possibility for labour offices to demand examinations of the state of health of individuals for the purposes of employment, and the obligation of individuals to undergo examinations of their state of health, the implementation of new instruments under the active employment policy which contribute to the maximum possible level of employment and to deeper individual access to job-seekers.

At present, the Ministry of Labour and Social Affairs is preparing a new law on tangible need, expected to enter into effect as of 1 January 2006 (the deadline for the submission of the general principle of the law to the government has not yet been set; it will probably be submitted by the end of 2004), which is based on new principles. This law will link the provision of aid to persons with activation measures in the form of advantages and sanctions. The proposed provisions of the law are intended primarily to motivate individuals to accept jobs and to ensure their necessary integration into society. One of the proposed motivating elements is an assessment of income from employment or from social benefits, replacing the income from these activities for the purposes of tangible need only at 70% of the actual amount.

Persons in tangible need will be provided with assistance by means of social counselling, social work, and material assistance (a contribution to sustenance, top-up housing payments). A condition for the provision of assistance in cases of tangible need is an attempt by the individual to resolve the situation in which he has found himself. The scope of assistance will be set depending on how much effort individuals make to resolve their situation. Reasons for sanctions will include the refusal to cooperate with a competent entity in the tangible need system (labour and social affairs offices, regional offices of labour and social affairs, municipal authorities) or the postponement of the opportunity to increase income for reasons resting with the individual.

In connection with this law, the Ministry of Labour and Social Affairs is also preparing an amendment to the Subsistence Minimum Act, expected to enter into effect as of 1 January 2006, which should contribute to the equal social protection of various types of households. This amendment (together with the Tangible Needs Act) should help foster an environment conducive for employment, the acceptance of work, and a reinforcement in the financial advantages of working compared with the passive conduct of unemployed persons on social benefit.

The current system of social services will be transformed. Achieving improved system efficiency requires, in particular, the possibility of individual solutions to the adverse situations of people, and the opportunity of implementing local and regional strategies which correspond to actual local and regional requirements. Blanket measures will always be less effective and will consume more public resources, and could have significant impacts on the financial possibilities of individuals who need help because they have lost their self-sufficiency.

Therefore, in accordance with the Government Plan of Legislative Work for 2004, the Ministry of Labour and Social Affairs will submit to the government the general principle of a Social Services Act, concerning persons in an adverse social situation, and will regulate the whole area of social services. The aim of the planned general principle for the Social Services Act is to create conditions for the application of the principles of a modern social policy in the field of social services. An emphasis is placed on the transfer of this process to the level of municipalities and regions and on bringing the system of social services as close as possible to the system's users. The guiding principles of the proposed solution are the provision of quality social services for users and their participation in the formation of a suitable network of social services, the creation of opportunities to develop quality social services, support for the participation of social service providers in an open and transparent competitive environment, and the creation of conditions for the implementation of an effective social policy at all levels of public administration.

The Social Services Act will also fulfil the modern strategy of the EU based on the fostering of equal opportunities in society and on the support of endangered groups of the population in order to prevent their social exclusion and to prevent a rise in the risk of social conflict. This strategy is reflected in other international documents, such as the European Social Charter, Resolutions of the Council of Europe, and other recommendations of the European Union.

In the framework of the second stage of tax reform, it is proposed that the deductible items for children be replaced by a tax allowance of CZK 6,000 per child per annum. At the same time, a tax bonus should be introduced which will be paid to taxpayers if their tax liability before the allowance is lower than the tax allowance, i.e. CZK 6,000. There would be a reduction in the difference based on higher social benefits compared with net wages that the job-seeker can acquire. This measure is planned to enter into effect as of 1 January 2005.

Measures:

8.1 The Ministry of Labour and Social Affairs will prepare and submit to the government a general principle for the Tangible Need Act and principles for an amendment to the Subsistence Minimum Act, expected to enter into effect on 1 January 2006.

8.2 The Ministry of Labour and Social Affairs will submit to the government a general principle for the Social Services Act by 30 June 2004 and, in accordance with this set deadline, will prepare a paragraphed version of the law.

8.3 The **Ministry of Labour and Social Affairs**, in accordance with the possibilities of the national economy, will continue to increase the gap between the minimum wage and the subsistence minimum with the aim of creating, over a longer period of time, the conditions required for the ratification of Article 4(1) of the European Social Charter (achieving a minimum of a 50% share of the lowest net wage in the net national average wage).

8.4 The **Ministry of Finance** will introduce measures in the field of tax allowing for the joint taxation of married couples caring for minors, which will mainly be advantageous for couples where one of the partners does not work or has a much lower income than the other partner. This rule will be applied in 2005 for the first time and refunds of taxed money will be made in the tax returns in 2006.

8.5 The **Ministry of Finance**, in accordance with Priority 4 of the Commission's Broad Guidelines of Economic Policy, will – in cooperation with the Ministry of Labour and Social Affairs – work on improving the combined simulative effect of taxes and benefits in order to restrict unemployment, the poverty trap, and working inactivity, further to the preparation of the Tangible Need Act.

8.6 The **Ministry of Finance** will amend the Income Tax Act with the aim of ensuring the financial expedience of work by means of stimulants increasing the attractiveness of work, which could cover the transition from unemployment to employment among low income groups, further to the preparation of the Tangible Need Act.

PRIORITY 9 - TRANSFORM UNDECLARED WORK INTO REGULAR EMPLOYMENT

Member States should develop and implement broad actions and measures to eliminate undeclared work, which combine simplification of the business environment, removing disincentives and providing appropriate incentives in the tax and benefits system, improved law enforcement capacity and the application of sanctions. They should undertake the necessary efforts at national and EU level to measure the extent of the problem and progress achieved at national level.

Context:

Czech citizens and often also citizens from other countries contribute to undeclared work. The reasons for this situation are based on illegal attempts by employers to cut costs on taxes and social insurance and on the administratively difficult process of obtaining work permits to employ foreign workers, and the administrative demands of concluding and severing employment for short-term jobs. The trade licensing procedure is just as complicated and difficult. Because of the Czech Republic's accession to the EU, the labour market in the Czech Republic has opened up for some foreign employees, i.e. Member States of the EEA, and therefore the problems and complications of permitting employment are disappearing on the part of the Czech authorities.

Under Resolution No 172 of 17 February 2003, on the Proposals to Improve the Business and Investment Environment, the government imposed a number of tasks which, besides simplifying the business and investment environment, have a positive impact on reducing undeclared work. A gradual reduction in corporate income tax from 31% in 2003 to 24% in 2006 will have a direct impact on eliminating undeclared work. Another measure in the scope of public budget reform, the implementation of a minimum tax payment for entrepreneurs, will also have a direct effect.

In cases where there are not enough job-seekers for certain professions, in the future the labour offices will use the EURES system to advertise vacancies and to gain employees for these vacancies faster from countries in the European Economic Area (mainly from the new EU Member States), which means it will be possible to find employees relatively quickly and will resolve the problem of acquiring work permits, which so far has been circumnavigated in the form of undeclared work.

The new Employment Act, which will enter into force on 1 October this year, fosters the legislative conditions to combat undeclared work and to transform undeclared work into regular employment. In particular, the new legislation affects the following areas:

- a tightening of the conditions in the mediation of employment by labour offices, especially conditions for placement and administration in the records of job-seekers,
- a tightening of conditions for an entitlement to unemployment benefit,
- the regulation of partial unemployment,
- the establishment of binding rules for the mediation of employment by job agencies, in accordance with the requirements of Convention of the Ministry of Industry and Trade No 181, on private job agencies,

- an expansion in the powers of labour offices in their inspecting activities aimed at combating illegal employment in the field of employing foreigners, and in the field of inspections and administrative proceedings, etc.

Further steps are also being prepared to simplify the business environment, e.g. new legislation covering bankruptcy issues, legislation to speed up incorporation of companies, and an amendment to the Trade Licensing Act, allowing for the liberalization of conditions to enter into business in the Czech Republic, etc.

The activities of the Interdepartmental Authority for Combating the Illegal Employment of Foreigners in the Czech Republic (Ministry of Labour and Social Affairs, Ministry of the Interior, Ministry of Industry and Trade, Ministry of Finance) have proved successful; this body coordinates the activities of these ministries and their subordinate components. In the future, this authority will focus on the fulfilment of tasks under the 'Action Plan for Combating Illegal Migration', approved by the government under Resolution No 108 Of 4 February 2004.

As of 2005, the Ministry of Labour and Social Affairs will introduce the management of individual accounts of ČSSZ policyholders, making it possible to draw on up-to-date information from the central register of ČSSZ policyholders, including for the purposes of inspecting whether the socially insured (as employees or entrepreneurs) are also registered at labour offices as job-seekers and as such collect social benefits illegitimately. In 2005, the Ministry will set up central registers of policyholders and job-seekers for these inspections; these registers will be used to examine any occurrences of duplicate records in more than one register.

Measures:

9.1 In 2005, the **Ministry of Labour and Social Affairs** will introduce individual accounts of ČSSZ policyholders and will set up central registered of policyholders and job-seekers.

9.2 The **Ministry of Finance, Ministry of Labour and Social Affairs, and Ministry of Health** will propose amendments to legislative regulations, whereby – in the first instance where undeclared work is discovered at an employer's, it will be possible to reduce or waive sanctions if lost income tax and social and health insurance payments are made up for the persons who have been employed but whose work has not been declared.

9.3 The **Ministry of Finance, in cooperation with the Ministry of Labour and Social Affairs**, further to the expansion in the competence of customs authorities and in the scope of combating the grey economy, will ensure the performance of customs administration in inspections of illegal employment and business, including the illegal employment of foreigners.

9.4 The **Ministry of the Interior, in cooperation** with the competent ministries, will implement an Action Plan to Combat Illegal Migration, focusing on a reduction in illegal immigrants and the illegal employment of foreigners.

PRIORITY 10 – ADDRESS REGIONAL EMPLOYMENT DISPARITIES

Member States should implement a broad approach towards reducing regional employment and unemployment disparities. The potential for job creation at the local level, including in the social economy, should be supported and partnerships between all relevant actors should be encouraged. Member States will:

- promote favourable conditions for private sector activity and investment in regions lagging behind;
- ensure that public support in regions lagging behind is focused on investment in human and knowledge capital, as well as adequate infrastructure (see also BEPGs, guidelines 18 and 19).

The potential of the Cohesion and Structural Funds and the European Investment Bank should be fully exploited.

Context:

Large regional differences are evident in the unemployment rate, which can mainly be attributed to the quantity and structure of work opportunities in individual regions (in the fourth quarter of 2003, almost 71% of the population in Prague aged 15-64 had a job here; in the Moravskoslezsko Region the figure was just under 57%).

A rise in the number of employees (including members of production cooperatives) in 2003 was recorded only in the Zlínsko Region and Praha Region (by 1,100 and 800 respectively); in other regions there was a decline in the number of employees. The highest decline was registered in the Moravskoslezsko Region and Jihomoravsko Region (by 14,300 and 13,900 respectively). Except Praha and the Plzeňsko Region, in the other regions there was a rise in the number of entrepreneurs with employees and without employees and in the number of cooperating family members. The highest growth was recorded in the Jihomoravsko Region (by 13,900). Despite the fall in its number of entrepreneurs, the Praha Region has the highest share of entrepreneurs in the total number of employed persons (22.3%). Praha is followed by the Středočesko Region (19.2%), the Královéhradecko Region (18.7%), and the Liberecko Region (18.5%). In contrast, the highest share of employees is reported by the Moravskoslezsko Region (86.6%), the Olomoucko Region, and Vysočina (both 85.6%).

Changes in the sectoral structure of the economy, based on restructuring and the decline in certain branches, subsequent changes in the qualification and professional structure of the workforce, were expressed with varying intensity in the individual regions. They were felt most in districts in the Moravskoslezsko Region and Ústecko Region, i.e. in regions suffering from a reduction in coal mining, metallurgy, heavy engineering, and chemicals.

At the end of 2003, the highest unemployment rate was recorded in the districts of Most (23.5%), Karviná (20.4%), Teplice (19.9%), Louny (18.9%), Chomutov (18.7%) and Ostrava-město (18.4%). Above-average unemployment rates were also registered in certain districts in the Olomoucko and Jihomoravsko Regions, e.g. Jeseník (18.2%), Hodonín (15.8%) and Přerov (13.8%). In these areas, agricultural unemployment is the main type of unemployment. The possibility of absorbing released employees from agriculture in larger centres (in industry or services) is deteriorating in rural areas in particular because of the low mobility (limited public transport) and because employees who have been made redundant do not have the skills required in other sectors.

In order to reduce regional disparities in employment and unemployment, and to improve the coordination of the central and regional policy, the government has appointed government commissioners to handle problems associated with the revitalization of the most afflicted regions (Northwest Bohemia, Ostrava, and the Jihomoravsko Region). Under Resolution No 587 of 9 June 2004, the government appointed the status of government commissioners, and tasked members of the government with cooperating with the commissioners in all activities related to their set regions.

The Ministry for Regional Development, in accordance with the National Development Plan, will coordinate the steps of all ministries in reducing regional disparities between the regions, in securing the fulfilment of specific goals to improve cooperation at central, regional, and local level. The approved 'Joint Regional Operational Programme' will help fulfil the strategy of social integration and employment in the Czech Republic in two ways:

- a) it will cooperate with the Human Resources Development Operational Programme – in the sphere of social integration it will support local initiatives in municipalities in this area, offer a suitable complement to Priority 2 of the HRD OP (Measure 3.2 of the JROP), and will support investments from the ERDF into the infrastructure connected with the development of human resources (lifelong learning, social integration, equal opportunities) which the HRD OP cannot support (aid available only from the ESF),
- b) it will support the creation of jobs in individual regions through all the priorities of the programme (especially in the field of support for business and the development of tourism) and therefore will contribute to a reduction in unemployment and to the coordination of the employment policy on a regional scale (with the aim of involving economic and social partners in the implementation of the employment policy).

Labour market flexibility will also be supported by a reinforcement in the professional and geographical mobility of the workforce and by the promotion of information society development. Another just as important factor will be the building-up of the capacities of the networks of environmentally focused training, advice, and information centres. Human resources development is also part of the processes of local Agenda 21, which will be supported in this respect. These activities will be carried out at an increased intensity in structurally backward regions, where they will help to reduce unemployment.

In order to achieve cross-sectional goals and set priorities, the Ministry for Regional Development, in cooperation with the Ministry of Labour and Social Affairs, Ministry of Industry and Trade, and other ministries and entities involved will focus on the efficient use of finances available from the national budget and all Structural Funds.

Measures:

10.1 The Ministry for Regional Development, in cooperation with the Ministry of Industry and Trade and Ministry of Labour and Social Affairs, will coordinate programmes for the support of regional development and programmes for the support of small and medium-sized enterprises, in the sense of greater interconnection and solutions for the situation in regions hit worst by unemployment.

10.2 The Ministry of Labour and Social Affairs, in cooperation with the Ministry of Industry and Trade, will implement a 'Programme to Support the Creation of New Jobs in Regions Worst Affected by Unemployment', approved under Government Resolution No 566 of 2 June 2004 and intended for regions with an unemployment rate of more than 14%.

10.3 The Ministry for Regional Development will continue to promote the development of regions lagging behind economically and socially, mainly by means of the Regional Programme to Support the Development of Industrial Business Entities in the Territory of NUTS 2 Severozápad [Northwest] and Moravskoslezsko [Moravia-Silesia], the Regional Programme to Support the Development of Severozápadní Čechy [Northwest Bohemia] and the Moravskoslezsko [Moravia-Silesia] Region, and the Regional Programme to Support Economically Weak and Structurally Backward Regions.

III. Evaluation of the process of governance and partnership

Good governance and partnership in the implementation of the Employment Guidelines

Member States will ensure the effective implementation of the Employment Guidelines, including at the regional and local level.

Involvement of parliamentary bodies, the social partners and other relevant actors

Good governance and partnership are important issues for the implementation of the European Employment Strategy, while fully respecting national traditions and practices. The European Parliament will play an important role. Responsibility for implementation of the Employment Strategy lies with the Member States. In accordance with national traditions, relevant parliamentary bodies as well as relevant actors in the field of employment at national and regional level have important contributions to make.

In accordance with their national traditions and practices, social partners at national level should be invited to ensure the effective implementation of the guidelines and to report on their most significant contributions in all areas under their responsibility, in particular concerning the management of change and adaptability, synergy between flexibility and security, human capital development, gender equality, making work pay and active ageing as well as health and safety at work.

European social partners at inter-professional and sectoral level are invited to contribute to the implementation of the Employment Guidelines and to support efforts undertaken by the national social partners at all levels, such as inter-professional, sectoral and local level. As announced in their joint work programme the European social partners at inter-professional level will report annually on their contribution to the implementation of the guidelines. European social partners at sectoral level are invited to report on their respective actions.

Moreover, operational services should deliver the employment objectives in an efficient and effective way.

**Adequate financial allocations **

Member States will ensure transparency and cost-effectiveness in the allocation of financial resources to the implementation of the Employment Guidelines, while complying with the need for sound public finances in line with the Broad Economic Policy Guidelines.

They shall fully exploit the potential contribution of the European Structural Funds, in particular the European Social Fund, to support the delivery of policies and to strengthen the institutional capacity in the field of employment.

Context:

The Ministry of Labour and Social Affairs, in accordance with a task under Government Resolution No 8 of 7 January 2004, set up the Commission to prepare the National Action Plan for Employment 2004-2006 and to address unemployment, composed of representatives of ministries and social partners.

At present, the SSZ, in cooperation with the delegated labour offices and regional bodies, is preparing regional and central grant schemes. Projects in the framework of grant schemes will mainly contain new approaches to labour market problems, with an emphasis on creating jobs; in addition, they will also specialize in the education and training of people. The partnership principle plays a significant role in cooperation at regional level. Significant partners of labour offices in the implementation of the ESF are regional authorities, regional economic chambers, and the Council for Human Resources Development in the given region.

The Ministry of Labour and Social Affairs, in accordance with the Medium-Term Budget Outlook 2004-2006, approved by the government for individual budget chapters in the form of framework code numbers in the structure of total income and expenditure, assumes that the following expenditure will be required (CZK'000):

Year	2004	2005	2006
Passive employment policy	7,900,000	8,900,000	9,500,000
Active employment policy total	4,135,000	5,500,000	5,950,000
Contributions to business entities (Section 24 of Act No 1/1991, as amended)	557,000	760,000	800,000

Measures:

11.1 The **Ministry of Labour and Social Affairs** is the guarantor for the implementation of the Human Resources Development Operational Programme (HRD OP), which is one of the key documents allowing for financial resources to be drawn from the European Social Fund for the development of human resources in the Czech Republic. The total amount that will be provided for the implementation of projects in the scope of this programme is EUR 318.82 million. This programme concentrates on implementing four priorities (in much the same manner as the Single Programming Document for Objective 3 Praha), i.e. on an active employment policy, social integration and equal opportunities, the development of lifelong learning, and adaptability and entrepreneurship. The issues of human resources development are also covered in the JROP, in Priority 3 'Human Resources Development in the Regions'.

11.2 The **Ministry of Education, Youth, and Sport**, in cooperation with the National Institute for Vocational Training, will strive to reinforce the role and increase the participation of representative social partners in sectoral groups in accordance with the MATRA project 'Social Partnership in Vocational Training in the Czech Republic'.

11.3 The **Ministry of Education, Youth, and Sport** will foster conditions, in the scope of the project to standardize final examinations, for the involvement of social partners in social dialogue at national and regional level.

11.4 The Ministry of Education, Youth, and Sport, the education departments of regional authorities, and the Ministry of Labour and Social Affairs will work together, in accordance with the long-term plans for education and the development of the education system, to prepare a concept for the medium-term (and subsequently long-term) reconstruction of the regional educational system in accordance with the requirements laid down in regional development plans.

Annex 1

Structural indicators		2000	2001	2002	2003
Employment rate - Employed persons aged 15-64 as a share of the (total, female, male) population of the same age group					
Total	EU25	62,4	62,8	62,8	62,9
	Czech Republic	65,0	65,0	65,4	64,7
Females	EU25	53,6	54,3	54,7	55,1
	Czech Republic	56,9	56,9	57,0	56,3
Males	EU25	71,3	71,3	71,0	70,8
	Czech Republic	73,2	73,2	73,9	73,1
Employment rate of older workers - Employed persons aged 55-64 as a share of the (total, female, male) population of the same age group					
Total	EU25	36,6	37,4	38,7	40,2
	Czech Republic	36,3	37,1	40,8	42,3
Females	EU25	26,9	27,8	29,1	30,8
	Czech Republic	22,4	23,1	25,9	28,4
Males	EU25	46,9	47,7	48,8	50,3
	Czech Republic	51,7	52,6	57,2	57,5
Unemployment rate - Unemployed persons as a share of the (total, female, male) active population					
Total	EU25	8,7	8,5	8,9	9,1
	Czech Republic	8,7	8,0	7,3	7,8
Females	EU25	10,2	9,7	9,8	10,0
	Czech Republic	10,4	9,7	9,0	9,9
Males	EU25	7,7	7,6	8,1	8,3
	Czech Republic	7,3	6,7	6,0	6,2
Dispersion of regional employment rates - Coefficient of variation of employment rates across regions (NUTS 2 level) within countries					
Total	EU25	13,4	13,6	13,5	.
	Czech Republic	5,8	5,7	5,7	.
Females	EU25	20,5	20,2	19,8	.
	Czech Republic	7,5	7,7	7,5	.
Males	EU25	9,9	10,4	10,6	.
	Czech Republic	5,0	4,6	5,1	.
Long-term unemployment rate - Long-term unemployed (12 months and more) as a percentage of the (total, female, male) active population					
Total	EU25	4,0	3,8	3,9	4,0
	Czech Republic	4,2	4,1	3,7	3,8
Females	EU25	4,7	4,5	4,5	4,5
	Czech Republic	5,1	5,1	4,5	5,0
Males	EU25	3,4	3,3	3,4	3,6
	Czech Republic	3,4	3,4	3,0	2,9

Source: EUROSTAT (LFS)

Annex 2

Specific guideline 1: Active and preventative measures for the unemployed and inactive					
		2000	2001	2002	2003
young people					
A = Inflow into unemployment in month X	Total	272577	249784	251949	246564
	Females	110158	107601	110207	109352
	Males	162419	142183	141742	137212
B = Persons still unemployed in month X+6/12 months who did not receive a New Start	Total	81214	66999	75641	83130
	Females	25368	29016	32735	36556
	Males	55846	37983	42906	46574
B/A	Total	29,8	26,8	30,0	33,7
	Females	23,0	27,0	29,7	33,4
	Males	34,4	26,7	30,3	33,9
Inflow into long-term unemployment	Total	24,9	23,6	27,8	31,3
	Females	17,6	22,8	27,4	30,9
	Males	29,9	24,2	28,1	31,5
adult people					
A = Inflow into unemployment in month X	Total	441131	415829	412705	434325
	Females	215949	215949	202539	213476
	Males	225182	199880	210166	220849
B = Persons still unemployed in month X+6/12 months who did not receive a New Start	Total	96078	77185	82078	98175
	Females	53401	53401	46254	54879
	Males	42677	23784	35824	43296
B/A	Total	21,8	18,6	19,9	22,6
	Females	24,7	24,7	22,8	25,7
	Males	19,0	11,9	17,0	19,6

Inflow into long-term unemployment	Total	20,1	17,4	19,2	21,8
	Females	22,8	22,8	22,0	24,7
	Males	17,5	11,7	16,5	18,9
Specific guideline 3: Address change and promote adaptability and mobility in the labour market					
		2000	2001	2002	2003
Vacancies per unemployed		0,10	0,13	0,10	0,08
Specific guideline 10: Address regional employment disparities					
		2000	2001	2002	2003
Regional disparities – Underperforming regions:					
Share of underperforming regions in terms of employment rate (NUTS III) (90% of national average)	Total number of regions (NUTSIII) - 14	0	0	0	1
	National average	65,4	65,4	65,7	64,0
Share of underperforming regions in terms of unemployment rate (NUTS III) (150% of national average)	Total number of regions (NUTSIII) - 14	2	2	2	2
	National average	8,8	8,9	9,8	10,3

Source: national data