

NEW APPROACHES TO EMPLOYMENT POLICY IN THE EUROPEAN UNION AND THE CZECH REPUBLIC

Jiří Dobrylovský – Petr Adámek

Abstract

Theory and employment policy consists of individual learning, responding to the practical needs of society. Theory and politics are closely linked yet and form one integral unit. At present, the issue of employment and unemployment examined objective positivist science. Economic theory is the issue of labor markets elaborated in detail at the micro and macro.

Unemployment is at 80 the last century has become an important factor. It is an important factor causing the growing national debt. Also threatens social peace in society. For this reason, the European Union passed the 90 years of the twentieth century from the so-called passive to active employment policy. Its aim is to prevent and eliminate unemployment causes that constitute it. A necessary condition for the application of methods of active employment policy is to create the necessary legal framework. Within the EU defined the four pillars of employment. Great emphasis is placed on reducing long-term unemployment.

Keywords: unemployment, active employment policy, labour market.

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Introduction

The European and along with it the Czech labour market has recently experienced substantial changes which cannot be explained only by the ending of the global crisis. In this connection many authors point out especially the weakening of the relationship between economic growth and the growth of employment, respectively decreasing the rate of unemployment.

The fact that economic growth does not generate sufficient employment creates incentives for a wide field of various employment policies. At the same time, however, it creates the ground for new forms of employment relationships, which were absolutely marginal in the last century. These forms concern the category of labour flexibilization, a topic of a lot of economic and sociological literature, which are not reflected in the development of employment unambiguously.

The employment policy must respond to the above-mentioned trends, which, however, started to form long before the commencement of the last crisis. In principle, the employment policy consists of two parts: a passive one, which, to a certain extent, coincides with the payment of social benefits and an active one with a preventive importance on the labour market.

1 New situation on labour markets in EU countries

The flexibilization of labour is described in details by R. M. Solow, who defines the prerequisites under which the labour market becomes less elastic. These prerequisites include extremely high unemployment benefits, respectively a very long time period for which the benefits can be paid out. Then there is an extremely high protection of workers by trade unions, which makes the fast lay off of current workers as well as the recruitment of new workers impossible. The prerequisites also include safety and health standards. All this results in the rigidity of the labour market and decreases in labour flexibility (Solow 1998, s. 83).

These rigidities of the labour market are less common for part-time (reduced) or some other “non full-time permanent” contracts, which is happening more and more often even in the Czech Republic, particularly in the tertiary sector. A considerably disagreeable attitude to the above-mentioned Solow’s prerequisites can be found in the paper of a Czech sociologist: “Labour flexibilization in the country optically decreases the rate of unemployment, however, this is at the expense of a growing share of low-paid labour and there is a growing risk that the earning of an economically active person will oscillate around the border of poverty or only a little above it. Thus there appears a relatively new trend described as working poverty” (Keller 2011, s. 27).

In the following pages of his paper J. Keller stresses that non full-time permanent contracts represent only a last resort for workers and mean that risks of entrepreneurship are more and more transferred onto employees. Variable, non full-time permanent contracts are, to a substantial extent, automatically forced by the current economic situation, particularly the development of the tertiary sector (in contrast to classical industry). During the 2008-2011 crisis the trends described here were only strengthened; their seed, however, could be seen already much earlier, back in the 1970s and 1980s. Non full-time permanent employment contracts often bring earnings not much exceeding social benefits. Workers employed on this basis balance between a group of employed and a group of unemployed and in case of a cyclical decrease they are the first ones laid off. Therefore it is logical that they contribute only very little to the state budget (this doesn’t concern direct taxes only, but also indirect taxes as a consequence of low

purchasing power of these workers) and on the contrary, they often become recipients of benefits.

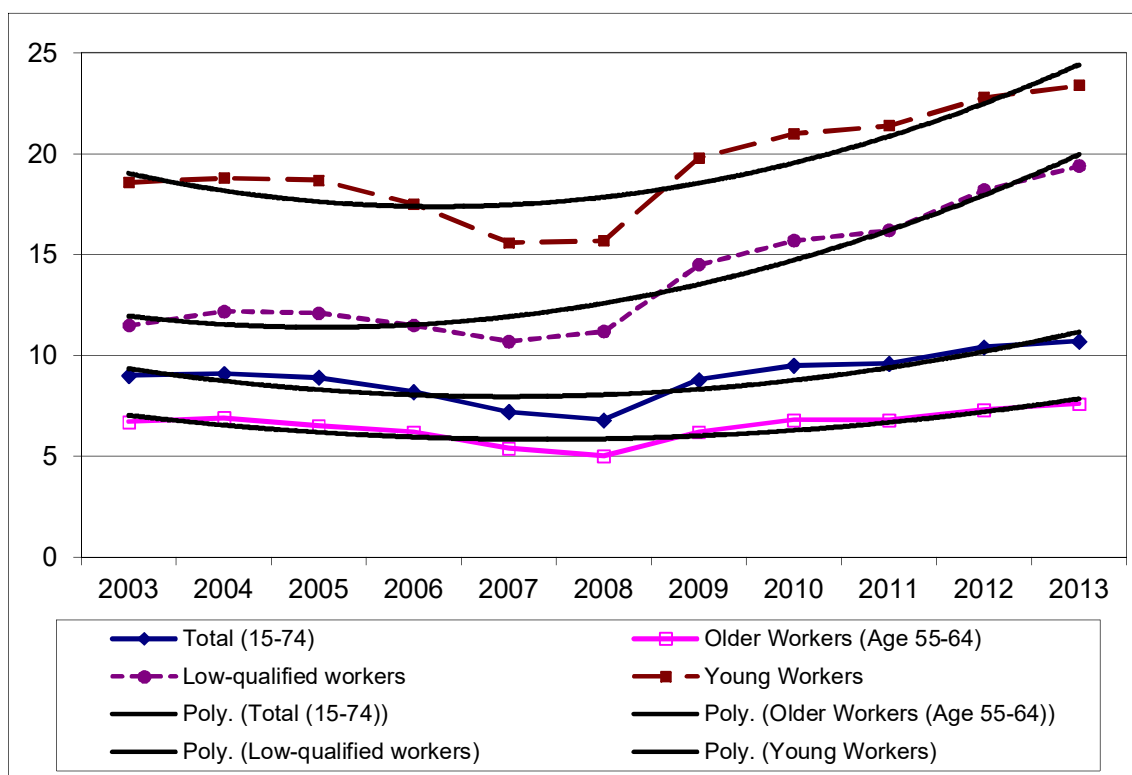
The European Union started to respond to negative trends in employment more distinctly at the break of the 20th and 21st centuries. Until then there was a prevailing opinion that the integrating process will result in economic growth and prosperity in participating countries, which will almost automatically ensure a satisfactory level of employment. A turn in this field came with the so-called Lisbon strategy, whose key part is just employment strategy: A positive feature of the European employment strategy was that it brought a gradual shift in the solution to the issue into national employment policies, a shift from the solution to unemployment to the management of employment growth. The European employment strategy was linked with the process of social integration, it influenced the policy of gender equality and helped understand the importance of employment and its relation to life-long education.” (Kotýnková 2006, s. 65).

The cited paragraph includes approaches developed in national plans of active employment policy which are elaborated by individual EU countries in different ways and with different stresses. All other documents and projects addressing European employment strategies follow the Lisbon strategy.

2 Employment policy and its new approaches in the European Union

The following graph shows the development of the rate of unemployment in the EU in the last 10 years:

Fig. 1: Development of rate of unemployment in the EU-27 in 2003-2013 (in %)



Source: http://ec.europa.eu/europe2020/pdf/2014/jer2014_cs.pdf (published 25.8.2014)

Statistical data provided by the Eurostat show the trends which due to deep economic crisis are not very surprising. The fact that young people (aged 15-24), who should be the main guarantees of a long-term prosperity of their countries and sustainability of the current models of pension schemes, are in fact the most hurt group is surely worth mentioning. Their employability is most sensitive to the development of a business cycle. Not less surprising is the course of the connecting line and its corresponding trend curve for older workers. While most of the public is convinced that older workers are not a good perspective for companies and employers get rid of them massively, the truth is the opposite; older workers show significantly below-average rates of unemployment. On the contrary, it is by far not surprising that the second most hit group consists of unqualified workers and that after the outbreak of the crisis it was this group in which the unemployment grew fastest. It is absolutely logical that even in unfavourable times firms try to keep their qualified permanent employees and cut their labour costs by laying off unqualified persons, who can, if necessary, be easily replaced by outsourcing.

An essential and more and more significant issue of the European labour markets is long-term unemployment, which has unfortunately almost doubled since 2008 and which has grown almost in all 28 EU countries (except for Denmark and Luxembourg). In the 2nd quarter of 2013

long-term unemployment as a percentage of total unemployment in 28 EU countries rose from 45% to 47.1%.

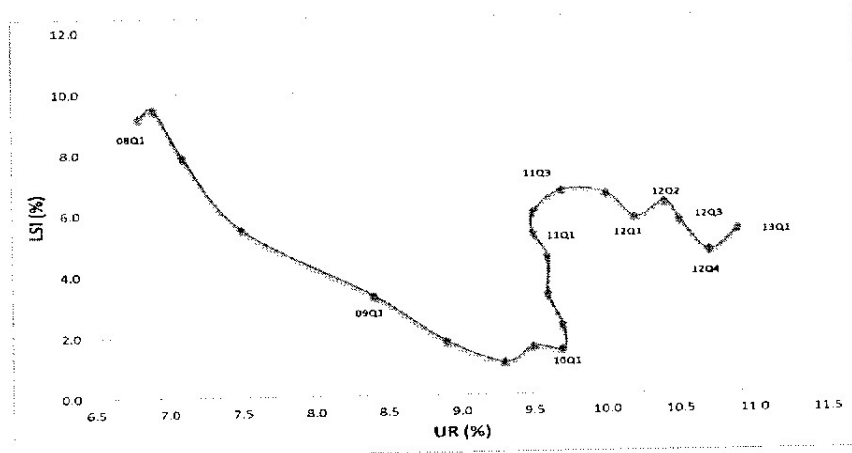
If we compare the given data with those for the Czech Republic, its position seems to be more favourable. As of 30th June 2013 long-term unemployment was 39.0% of total unemployment. Less favourable is, however, the fact that there was a rapid growth by 16.6 thousand in this group of unemployed people.

The European employment strategy is primarily focused on the increasing of employment and not the decreasing of unemployment. After the end of the economic crisis most 28 EU countries experienced economic growth (usually not a very substantial one), which was theoretically supposed to “pull” the generation of new job positions. There is, however, an assumption of structural differences, when the mentioned growth trend doesn’t affect the economy overall, but only some industries, particularly those connected with information technologies. Of course, this deepens diversification of employment again.

The stated trends in the development of employment resulted in the imbalance between supply and demand in the labour markets in EU-27. A theoretical concept of this imbalance is the Beveridge curve depicting structural unemployment. Each point on the Beveridge curve represents a combination of the number of unemployed persons and corresponding number of vacancies at a given real wage rate. Hand in hand with the growth in this rate the number of vacancies decreases and unemployment grows.

As it is clear from figure 2, the Beveridge curve for the European Union as a whole has got worse (the differences between the forecasted and real Beveridge curve are explained specifically for the Czech Republic by Makovský in the book (Pavelka, Löster, Laghamrová, Makovský; 2014). This trend is caused mainly by the steadily growing difference between offered and demanded skills, which is typical just for structural unemployment.

Fig. 2: Beveridge curve (EU-27, 2008-2013)



Source: Brožová, 2012, p. 62

It is evident that the growing number of unemployed people and those long-term unemployed in particular, requires an efficient active employment policy and a new organization of public services of employment. The situation calls for implementation of new, particularly targeted projects in employment policy, which should be targeted at selected groups of unemployed people.

Implementation of the latest principles in the employment policy of EU countries must aim at achieving the goals of “Strategy Europe 2020” which should be understood as elaboration and modernisation of the already mentioned Lisbon strategy. Funding of individual projects is more and more provided by the European Social Fund (ESF). It is just this fund, from which the money flows to the most endangered groups in the labour market, such as to young people. Projects of employment policy are so strenuous that closer cooperation between the ESF and other European structural and investment funds is needed. The employment policy is elaborated into several directions:

- Increased participation in the labour market

The key task of the approved measures in this field of active employment policy is integration of other groups of potential workers into the labour market – thus increasing the rate of employment. New is that there are set target groups, at which the measures are focused (groups disadvantaged by age, handicapped, those long-term unemployed, etc.).

- Elimination of all forms of discrimination on the labour market

An endangered and very often discriminated group on the labour market are women. It is logical that their working activity can't be strengthened only by an active employment policy, but by a whole broadly outlined portfolio of measures, which will affect their family lives.

- Development of qualified labour force

Measures within this field of employment policy are not new and in principle they follow the strategy started by the Lisbon strategy and developed in the Europe 2020 Agenda. However, each country had its own specific approach to this issue. This approach should settle problematic issues of the labour market, which crystallized especially during the last big crisis. Many countries e.g. emphasized requalification or rather the systematic and modernized education of adults.

3 Active employment policy in the Czech Republic

In October 2014 the Czech government approved the "Employment strategy to 2020". The document was prepared in compliance with preliminary prerequisites of the European Commission so that money for this document could also be derived from European funds. The strategy sets priorities of employment policy for individual groups of the population. The following goals should be achieved by 2020 (Strategy p.8):

- a) a rate of unemployment 75 % - in age group 20-64 years
- b) a rate of unemployment 55 % - in age group 55-64 years
- c) a rate of women employment 65 %.
- d) decrease in the rate of unemployment among young people by one third to 16 %.
- e) decrease in the rate of unemployment among people with low qualification by one quarter to 21 %.

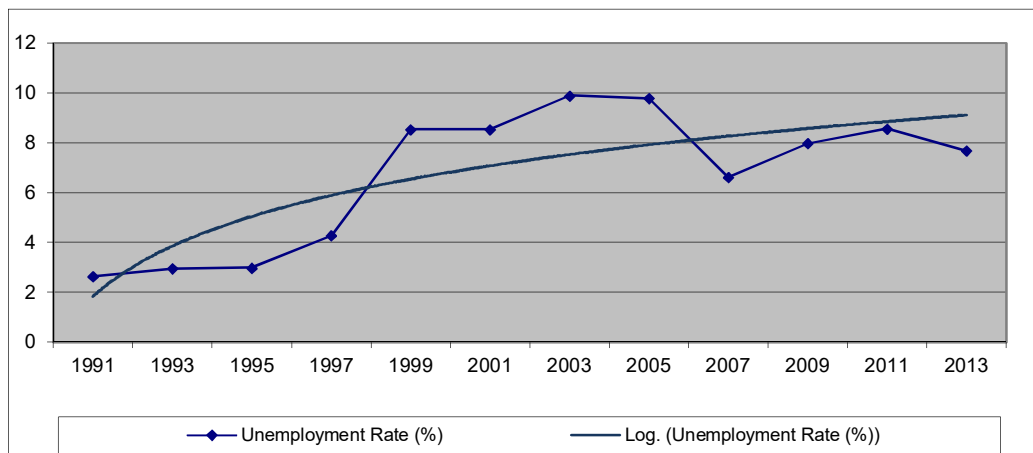
The document points out the insufficient use of flexible forms of employment in the Czech Republic, which has in our country, as well as in other European countries, a number of forms. Four forms of flexible employment set by the Labour Law can be identified in the Czech Republic; part-time contracts, term contracts, work from home and self-employment.

Czech conditions differ from those in Western European countries by the officially non-existence of unemployment before 1989. Unemployment came into existence only in 1990 in connection with transformation of the up-to-then regulated socialist economy into a market

model. The development of the rate of unemployment in the Czech Republic is shown in figure No.3

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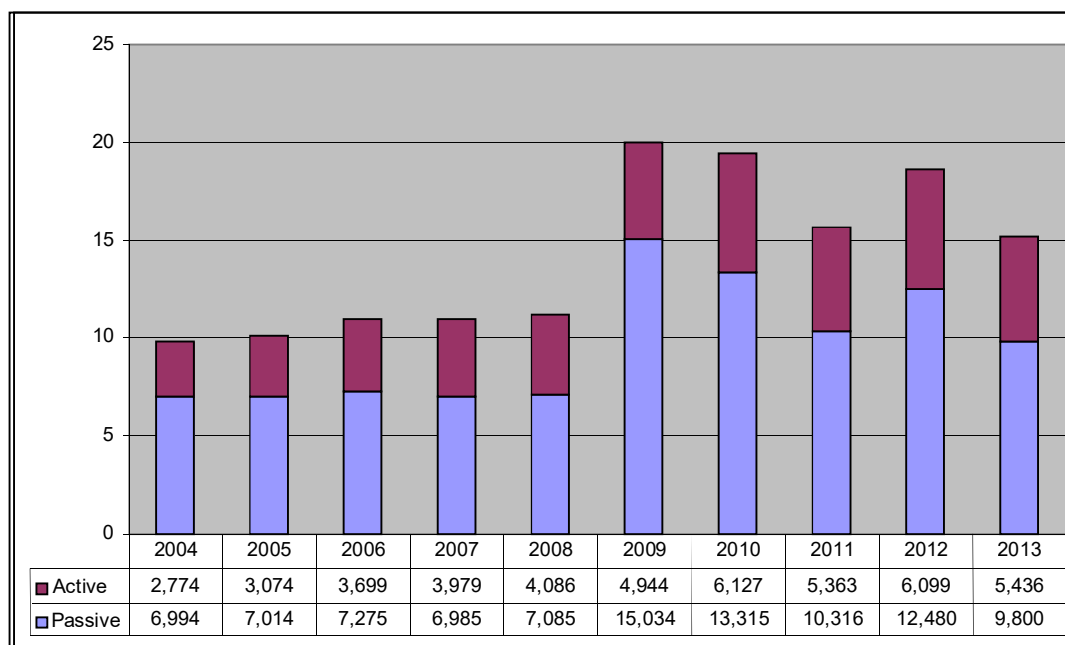
Fig. 3: Rate of unemployment in the Czech Republic in 1991 - 2013



Source: Authors' own calculations based on Statistical Annual Report on the labour market in the Czech Republic 2013, p.11-18

Regarding a relatively high rate of unemployment in the Czech Republic since the end of the 1990s, by figures absolutely comparable with countries of Western Europe, it is clear that the issue described in the first and second parts of this article becomes evident in one way or another even here. As the following figure No.4 shows, the importance of active employment policy, respectively its share on the total employment policy, is steadily growing in time; in 2004 72% of expenditures accounted for passive employment policy in 2004, while only 28% accounted for active employment policy and in 2013 these shares changed to 64% and 36% (active employment policy).

Fig. 4: Expenditures on employment policy in the Czech Republic in 2004-2013 (in blns of CZK)



Source: Authors' own calculations based on data from the Ministry of Finance of the Czech Republic (State Budget Expenditures of the Czech Republic in 2004 - 2013)

Requalification, work which is of benefit to the public, socially useful job positions, support of employment of handicapped citizens and a subsidy to employers employing more than 50% of people with “reduced ability to work” were among the main tools of the active employment policy of the Czech Republic in the first decade of the 21st century. Expenditures (rounded) on these forms of the active employment policy are shown in table No.1, where it is clear that in 2004 - 2011 expenditures on most forms of the active employment policy stagnated in the long run (regardless of short-term year-to-year fluctuations), only the subsidy to employers employing more than 50% of people with reduced ability to work continuously grew (as a result of unfair practices of some employers, who were misusing this form of support, this legislative arrangement was changed as of 1.7. 2012; data in the table end in 2011 in order to make the comparison possible):

Table No. 1: Development of expenditures (in blns of CZK) in the main forms of active employment policy in the Czech Republic in 2004-2011

Passive employment policy	6,99	7,01	7,28	6,99	7,09	15,03	13,31	10,31	
Active employment policy.	2,77	3,07	3,70	3,98	4,09	4,94	6,13	5,36	
Of which	Requalification	0,01	0,003	0,0001	0,005	0,05	0,009	0,02	0,009
	Publicly useful work	0,83	0,84	0,90	0,68	0,95	1,37	1,62	1,02
	Socially purposeful job positions	1,03	1,18	1,07	0,87	0,60	0,99	1,45	0,79
	Support of employment of handicapped people	0,25	0,31	0,32	0,23	0,25	0,32	0,32	0,25
	Contribution to employers employing more than 50% of persons with reduced ability to work	0,65	0,74	1,41	2,19	2,28	2,26	2,71	3,28

Source: Authors' own calculations based on data from the Ministry of Finance of the Czech Republic (State Budget Expenditures of the Czech Republic in 2004 - 2013)

If we compare both threshold years (2004 and 2011) from the view of shares of expenditures on individual forms of the active employment policy we are attracted by the rapid growth in subsidies to employers employing more than 50 % of persons with reduced ability to work. On the one hand this was understandable and from many views correct, as it is extremely difficult for these people to find jobs; however, on the other hand, as was mentioned above, parameters for this form of the active employment policy were set too favourably for employers and the respective subsidy itself became a source of profit for some of them.

The increase in the importance of the active employment policy in the Czech Republic is also noticeable as a number of new projects tailored to specific groups of unemployed people has recently appeared . These projects are partly financed by the state budget, but more and more sources come from the European Social Fund. In March 2013 the Ministry of Labour and Social Affairs prepared a project called "Support of recruitment of young applicants under the age of 30". Young employees registered at the Labour Office of the Czech Republic are included into this project. A company can get a subsidy for such an employee up to the amount of CZK 24,000 (gross wage plus taxes). At the same time companies can get a state single financial and administrative subsidy for the equipment of such a position.

A "Part-time job contracts for parents and long-term unemployed people" project supports parents taking care of small children and applicants for jobs who are unemployed for more than one year. A company employing these applicants gets a subsidy up to CZK 12,000.

Those who will try free-lanced enterprise can participate in a "Employ yourself, be a free-lancer" project. Money, which can be rendered up to the amount of CZK 40,000 and 80,000, is

bound to a prerequisite that the beneficiary will do their business for a period agreed in advance, i.e. mostly for 1 or 2 years.

Conclusion

The economic crisis of 2008 - 2011 is classified as the most significant economic downturn since the end of World War II. Despite having a different impact on individual EU countries, it led to a substantial reduction in working positions on the global level, i.e. to the creation of cyclical unemployment. At the same time it deepened structural and regional imbalances, which made problems in the labour market even worse. This fact became clearly evident even after the end of the economic crisis and the return to economic growth, when large groups of the economically active population still remain outside of stable employment relationships and fall into long-term unemployment. Part-time, not full-time work contracts, cannot solve this situation. Imbalance between supply and demand in the labour market has deepened further. A combination of all these aspects and connections stimulates new steps and procedures in the field of the active employment policy. Besides traditional projects new ones are created which have, despite their diversity, a number of common features:

- a) They are focused on the most endangered groups of population unable to find themselves a job in the labour market and to maintain a position there.
- b) The adopted measures do not concern only the employment policy in its narrow wording, but they often cover a wide range of social aspects creating convenient conditions for so far disqualified workers.
- c) More and more projects are financed by the European Structural Fund.

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Contact:

Jiří Dobrylovský

University of Economics

W. Churchill Sq. 4, 130 67 Prague 3, Czech Republic

E-mail: dobrylov@vse.cz

Petr Adámek

University of Economics

W. Churchill Sq. 4, 130 67 Prague 3, Czech Republic

E-mail: adamek@vse.cz