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- II. Economic development and its impact for human development - Jaroslav Kux
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A b b r e v a t i o n s :

ČMKOS	Czech and Moravian Confederation of Trade Unions
ČSÚ	Czech Statistical Office
FSÚ	Federal Statistical Office
MMR	Ministry for Regional Development
MPSV	Ministry of Labour and Social Affairs
MV	Ministry of Interior
NVF	National Training Fund
MŽP	Ministry of Environment
PřF UK	Faculty of Science, Charles University
ÚIV	Institute for Information in Education
ÚZIS	Institute of Health Information and Statistics
VÚPSV	Research Institute for Labour and Social Affairs
CZK	Czech crown (currency)
GDP	Gross Domestic Product
SSE	Social Security Expenditure
SSS	State Social Support
STF	Specialized Treatment Facilities
VŠPS	Labour Force Sample Survey

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The 1999 Report on the State of Human Development in the Czech Republic was originated at the Research Institute for Labour and Social Affairs. We set out from the conviction that our report would have to respect the concept of human development found in reports from other countries in individual years, but at the same time might concentrate on what were, in our experience, the key parameters, such as economic and social conditions, together with human labour. The authors made use of the opportunity to analyze and interpret reforms in key areas during the past ten years. In our report, we did not merely want to reflect the current state of things, but tried to grasp the development of individual conceptions of reform as well.

Our report is divided into seven independent but often interconnected chapters:

I. The Concept of Human Development in the Czech Republic. This chapter describes Human Development concepts in the Czech Republic according to the usual criteria of UNDP reports regarding the quality of health, education and living standards. The chapter is supplemented by various statistical data in the appendices.

II. Economic Development and Its Impact on Human Development. The second chapter focuses its attention on trends in the main economic and social preconditions necessary for human development, especially indicators, and the evaluation of different policies over the course of time.

III. Demographic and Social Structure. The third chapter analyses population development and its social and economic consequences, especially the decrease in fertility as an expression of the second demographic transition and social transformation, the increase in life expectancy, changes in the population structure and the consequent ageing of society. It also focuses its attention on changes in family and household patterns, such as changing demographic tendencies, family policy, the family in social policy, and the discussion about population policy. There is also an analysis of changes in the social structure, the influence of demographic and economic processes on the new social stratification and its political consequences, and social mobility in the transitional period. Last but not least, the chapter notes the new understanding of equal opportunities.

IV. The Status and Role of Labour in Society. The fourth chapter is devoted to the world of labour. It describes the main characteristics of labour market policy in the Czech Republic, and looks at the current status and development of employment as a basis for reflections on its future development. It describes the structure of employees' education and qualifications and changes therein in recent years, including future forecasts. It also focuses on the overall development of unemployment in the context

of economic restructuring so far, and gives a forecast of its future development. It describes the structure of the education and qualifications of the unemployed. It gives a regional view of unemployment as an outcome of the decline of certain leading branches of industry in the regions. It also provides an analysis of the development of an active employment policy, its forms and its significance and effects, including proposals for new possibilities, as well as an analysis of tripartite and collective bargaining as a precondition for the achievement and long-term maintenance of social reconciliation.

V. Social Protection. The fifth chapter contains an analysis of the development of different concepts and policies regarding social benefit schemes. Special attention is paid to the pension system and its reform, the health care system and its reform, the protection of the unemployed and the creation of a new system of state social support, which comprises the main tools of family support in the Czech Republic. The effectiveness of the schemes and their role in alleviating poverty is described. This chapter also describes barriers to the transformation of the social assistance system and the search for new ways of social services financing, as well as for new schemes of assistance for disabled people.

VI. Standard of Living and Poverty. The sixth chapter attempts to explain the process of differentiation of household income sources as a response to privatization and a market-oriented, democratic environment. The influence of incomes on the creation of a new social structure and its social and political consequences, as well as the attitudes of households, are analyzed. Attention is also paid to the development of a mechanism for wage fixing – the friction between political and social ideas and the shift from strict regulations to liberalism, the contractual conception of wages and the rule of protection of employees by collective bargaining. The chapter attempts to explain the status of poverty in the Czech Republic.

VII. Summary and Starting – points for Future Development. The authors have attempted to describe the overall context of their findings in a summary of recommendations for the future.

We hope that this study will yield much new and interesting information, and that it will be a reliable and valuable source of knowledge about developments in the Czech Republic over the past decade. We would also like to thank the workers of the UN's Development Program and the ILO for their ideas on the structure of the publication and their valuable comments over the course of its preparation.

I. THE CONCEPT OF HUMAN DEVELOPMENT IN THE CZECH REPUBLIC



The concept of historical development in the Czech Republic has its historical roots in the principles and traditions of European humanism. The senior representatives of the Czech state, thinking and learning (Hus, George of Poděbrady, Comenius, Palacký, Masaryk and others) were the co-creators of European ideals of human rights, security, democracy, social justice and progress. The concept of human development in the Czech Republic in the 1990s takes up these traditions.

The concept of humanism applied in the Czech Republic is currently expressed by the Charter of Fundamental Rights and Freedoms, which is incorporated into state's constitution [note 1]. The Charter governs the direction that human development will take in Czech society. It unites the efforts of the legislative and executive state and local government bodies and civic, political and special-interest organisations. It is founded on civic principles – equality and equal opportunities for all.

The Charter of Fundamental Rights and Freedoms is part of the Czech Republic's constitutional order

In conjunction with international treaty documents [note 2], the Charter defines fundamental human and political rights and freedoms (the right to life, human dignity, personal honour, good reputation and name, the right to own property, the inviolability of a person's abode and personal data, freedom of personality, movement and residence, conviction, conscience, religious belief and atheism and manifestations thereof, scientific research and artistic creation).

The guaranteed political rights and freedoms (suffrage, the right of assembly, association, petition, the right to information, the right to participate in the administration of public affairs, freedom of speech) are the cornerstone of democracy and public administration.

A large, separate group of rights defined by the Charter are economic, social and cultural rights, in particular, the right to freedom of choice of occupation and the right to prepare for this occupation, the right to do business and carry on an economic activity, to acquire funds through work for one's needs in life, the right to fair remuneration for one's work and satisfactory working conditions, the right freely to associate with others to safeguard one's economic and social interests, the right to strike; the right of women, young people and the handicapped to heightened protection of health at work and to special working conditions, the right to reasonable material provision in old age and when unfit to work and in the event of loss of an income-earner, the guarantee of basic living conditions, the right to protection of health and free healthcare (in the specified scope), the right to special legal protection of parenthood and the family, children and young people, the right to education, to the results of creative mental work, the right of access to cultural wealth, the right to timely and full information on the state of the environment. They represent an ambitious programme to achieve a high level of human development. They require and have received (as in other areas of rights and freedoms) more detailed legislation by means

of implementing laws and enforcement through the courts, executive state and local government authorities with the active participation of civic and special-interest associations and initiatives and individual citizens. The main such rights are the right to work (the labour code, acts on employment, on collective bargaining, on wages, on pay etc.), trade and commercial law, social legislation (pension and sickness insurance, social support and care), healthcare and education laws and the institutes and mechanisms putting these laws into practice.

The concept of human development applied in the Czech Republic is in complete harmony with that employed on a worldwide scale by the UN in its Human Development programme – the development of each individual's abilities based on work, education, and political and cultural activities.

Despite the large amount of legislative work and creation of the necessary institutes, human rights and freedoms have had mixed and fluctuating fortunes in the course of the nineties. The main reason for this is the transition from a totalitarian regime, with central, directive control of political, social and economic processes, to a free political democracy and market economy. That meant that at the start of the decade the supreme priority was the renewal and development of fundamental and political rights and freedoms. Although from a long-term point of view the fulfilment of socio-economic rights is one of the main goals, this receded into the background somewhat at the start of the nineties.

The search for the basic ways to provide protection against existential and social risks was also important. Chiefly, a balance had to be found between on the one hand individuals' self-protection and own resources and on the other hand state redistribution mechanisms. Political dialogue took place against a background of the excessive state paternalism existing in the social sphere before 1990 and the growing risk to entire groups of the population (the unemployed, pensioners, families with children) as a result of transformation.

The political representations did not achieve consensus. The formation of social protection mechanisms, many of which operate in the long term (pension insurance, support for families with children etc.), are influenced by short-term fluctuations in political alignment. The economic limits to human development (the constraints on public budgets and the population's own funds) were encountered in the last third of the decade as economic output fell.

Overall, throughout the nineties the quality of life in Czech Republic ranked it among the highly developed states of the world. According to the comprehensive index of human development (even with the changes in its substance and methodology) the Czech Republic comes among the fourth tenth of states (between 36th and 39th out of 174).

**Human development,
rights and freedoms
in the nineties**

In the next parts of this chapter we will briefly mention the fundamental characteristics of the quality, tendencies and limits in the main areas of human development. The appendix contains data documenting this development in line with the methods used in the Human Development Programme.

For a long time the protection of the health of citizens and the provision of medical care (which is free within the scope set out by law under public health insurance) have been of a good standard in the Czech Republic (comparable with that of developed states). Nevertheless, fundamental transformational changes have been taking place in healthcare in the nineties (privatisation, move to an economic basis, rebuilding of institutions etc.).

The main positive features of health protection and care in the Czech Republic are the high accessibility of medical facilities (out-patient and in-patient) due to the dense network of facilities, the high standard of staff and material, the technology and treatments used and the professional standard of health workers. That is most evident in the traditionally good prenatal care and high-quality infant and child healthcare, the high standard of prevention of infectious and potentially epidemic diseases and the considerable scope of highly demanding medical actions. The state's health programme is formulated in the "National Programme to Support Health". Prevention focuses on reducing risk behaviour and habits (smoking, alcoholism, drug abuse, high-risk sexual behaviour and AIDS prevention) and on programmes to prevent and restrict serious and frequent illnesses (cardiovascular, oncological and diabetes programmes).

During the nineties the overall standard of healthcare played a part in the improvements in many of the health indicators (fall in infant and child mortality and deaths from circulatory system illnesses etc.). It is also a key factor (along with good diet, balanced lifestyle and improvements in the environment) in the extension of life in both men and women. Although the level of this complex aspect of quality of life is still lower than in EU states, the stagnation that lasted more than twenty years has been overcome.

Every government in the nineties has stated that support for the educational standard of the population was a fundamental priority. The importance of education for the economic prosperity of the country was particularly stressed (the Czech Republic is distinguished by low potential of natural resources and a high level of processing industry requiring products to be as sophisticated as possible). Great importance has also been placed on the fact that better educated people have better chances on the labour market and attain higher incomes. The link between education standards and quality of life is indisputable. It is manifested in higher standards of culture, in civic involvement and in the scope of personal interests. Education also makes society more stable – antisocial behaviour (criminality, drug dependency etc.) is less frequent in more educated people.

Healthcare has a positive effect on the quality of life

Education is a fundamental factor in the quality of life and economic prosperity of individuals and society

The development of the education system was influenced mainly by the education system under the previous regime and its material and personnel resources (inflexible, centrally run bureaucratic system levelling education, ideological pressure on teachers, pupils and students). During the past decade the state failed to create a full and unified education policy that would link together the school system and lifelong education of adults and that would correspond to the change in social and economic circumstances. This area is held back by financial constraints. After an initial rise, the proportion of GDP accounted for by public expenditure on education fell back to its original level. Answers have not yet been provided for questions relating to the creation, financing, focus and quality of private schools. The imbalance between the subjects studied by young people at secondary schools and universities and the requirements of the labour market increased during the nineties. That pushes up unemployment among school leavers. Informational and regulatory mechanisms are only now being created.

Putting the principle of equal access to education into practice is a problem. Universities reject roughly half their candidates every year on the grounds of limited capacity. The principle of the Charter of Fundamental Rights and Freedoms that “the law shall set out on what conditions citizens have the right to state aid in their studies” is not made sufficiently specific by the implementing regulations.

In a desire to make university study less like the preparation of a relatively narrow academic elite (usually 10 to 12-semester study possibly with subsequent doctorate study), bachelor’s degree study (usually 6-semester) and higher technical schools (usually two to three years) were introduced. These forms of education for the young generation still have to prove their worth in helping school leavers find work or possibly be successful in further studies.

The developments in fundamental indicators of the educational profile of the Czech population (see appendix) in the last decade show that the population remains fully literate and that the overall length of time spent at school by the young has increased by more than one year. The main causes for the longer time spent in school are the obligatory completion of the ninth grade of elementary school and the lengthening, to three years as a rule, of preparation for labourers’ professions in technical apprenticeship colleges. The number of people studying at secondary schools and university schools in particular has also risen. Roughly one-fifth of the people in the relevant school years are currently studying complete bachelor’s degree and master’s degree courses. Including those studying at higher technical schools, roughly 30% of the corresponding age group is therefore studying in the broader-defined third level of education (i.e. after matriculation).

Overall it is fair to say that in the nineties the Czech education system moved closer to the requirements of an education and information society of the third millennium.

The social, technical and ecological factors that fundamentally influence the quality of life – in particular unemployment, criminality, illegal migration, traffic accident rate and the environment – have experienced differentiated development in the Czech Republic in the nineties.

The initially small scale of unemployment meant that for most of the period (up to 1996) this factor was not seen as the biggest current obstacle to human development. It was not until unemployment started to rise fast in the second half of 1997 that it became clear that a considerable part of the population was unprepared to deal with the stress that the altered situation brings. The responses of the state administration have so far focused on possibilities for employment and increasing potential employability. There is still no broader-based approach to preventing the loss of human dignity that comes from unemployment and creating alternative activities that can be used to mitigate the resulting stress.

Throughout the decade criminality has remained a major negative influence on the quality of life. Criminal activity (the crime rate only rose slightly overall and more crimes are now solved), came to contain a greater proportion of economic crimes, juvenile crime and the most serious crimes of violence (including murders). The fastest rising negative factor is the traffic accident rate, which is influenced by both technical and human factors.

A liberal migration policy caused the Czech Republic to become a country of high immigration within a very short amount of time (1994 to 1996). A great deal of the migration is illegal (especially from Central and Eastern Europe). That is linked to extensive activities of migrants in the shadow economy and in mafia-style activities, including serious crime.

Environmental indicators experienced highly differentiated development. During the nineties emissions of pollutant gases fell and the quality of water was improved (the quantity of purification plants is still below that required by EU norms, however). The number of “clean” sources of energy (natural gas, waste heat etc.) increased and GDP became less energy-intensive. On the other hand, production of industrial and communal waste, including dangerous waste, is growing. The state has not managed to reduce the extent of damage to its forests.

The transition from a totalitarian regime to democracy and the market during the nineties signified fundamental changes in political, economic and other social structures, and led to substantial fluctuations in real generation of resources (GDP at constant prices) and the purchasing power of the population’s (households’) incomes; it has not created particularly good conditions for human development and improving the quality of life. At the end of the period (1998–1999) the real level of gross domestic product per capita was lower than at the start (1989–1990). The level of monetary income is roughly the same. In the first years of the decade these incomes fell sharply; in the second third they developed disproportionately (the real

Negative influences – unemployment, criminality, illegal migration, traffic accident rates, the environment – have developed differently

The economic and income basis of human development has not changed for the better

purchasing power of the population's incomes rose faster than real GDP); and at the end of the decade they fell or stagnated again. Incomes per capita and per household become considerably differentiated: the proportion of total incomes accounted for by the one-fifth of households with the highest incomes per capita rose (from roughly one-third to more than two-fifths). This group of households was the only one to experience growth in the real purchasing power of its incomes; all other groups experienced a fall.

Overall it is fair to say that, in a situation where real funds stagnated or fell, the positive development in a number of indicators of quality of life in healthcare, in education and also partially in the environment led to greater tension between funds and their use. Sustaining, and particularly raising, the quality of life that has now been attained in the Czech Republic is dependent on growth in economic output.

The key areas of human development and the improvements in the quality of life during the nineties, their development, limitations and problems are set out in the second to sixth chapters of this report.

Notes

1. The Charter of Fundamental Rights and Freedoms was adopted by act no. 23/1991 Digest from 9. 1. 1991 of the Federal Assembly of the Czechoslovak Federative Republic. It became part of the Czech Republic's constitutional order under Article 3 of the Constitution of the Czech Republic, approved on 16 December 1992.
2. For example, the International Convention on Civil and Political Rights, the International Convention on Economic, Social and Cultural Rights (1966, valid from 1976), the Convention on the Protection of Human Rights and Fundamental Freedoms (article 96/1992 Digest); special treaties – the Treaty on Suppression of All Forms of Discrimination against Women (article 82/1987 Digest), Treaty no. 111 of the International Labour Organisation on Discrimination in Employment and Occupation (no. 465/1990 Digest), Treaty on the Rights of the Child (no. 104/1991 Digest).

II. ECONOMIC DEVELOPMENT AND ITS IMPACT FOR HUMAN DEVELOPMENT

1. The economic framework and human development – development trends of the main economic and social indicators, transformation policies

1.1. Essential institutional changes as the first step in the transformation process

The first years of the transformation process were distinguished by essential and fundamental institutional changes. First, prices were almost completely liberalised. The state continued to regulate some prices, chiefly in rent, fuels and energy, passenger transport and healthcare. During the following years these prices too gradually started being deregulated.

At the same time the labour market was liberalised, wages were partially deregulated (temporarily, with certain forms of central moderation of wage development), foreign trade was liberalised (it had previously been monopolised by the state) and the currency was made initially internally convertible (later replaced by full convertibility, with certain capital account exceptions). The tax system and social safety net were adjusted to bring them basically into line with western standards. Formation of the necessary new institutions took place in parallel with this.

One distinct element of transformation was the speed of privatisation. The first phase was called small privatisation, involving the sale or letting of smaller establishments to Czech businesses, and this was followed by large privatisation. Large privatisation was also open to foreign investors and included voucher privatisation, which was and still is a hotly debated topic. Along with Poland and Hungary, the Czech Republic became the main destination for foreign capital and foreign investments in particular.

1.2. Stages in economic and social development in the course of the transformation process

The economic and social developments that have taken place to date in the Czech Republic can be roughly divided into three stages. The first years of the transformation process were distinguished by a sharp decline in the economy. The contraction was caused both by the disruption of foreign trade between the COMECON countries and the slowness in targeting western markets, and by the marked reduction in internal demand caused by the fall in the population's purchasing power. The roughly 13% fall in gross domestic product between 1990 and 1993 was accompanied by a slightly lesser fall in employment (about 10%). Over half a million people left their jobs. Around a third of them became unemployed, something that was quite unknown before then (at least in its visible form). Most, however, were forced to leave the labour market entirely (taking retirement, employed women returning into the household). Some started working in the hidden

Sharp decline of the economy in the first years of transformation

economy – work abroad, often illegal, unregistered activities in the Czech Republic etc.

The almost complete liberalisation of prices caused a sharp rise in inflation. Consumer prices rose by 130%, with the biggest increase coming in 1991. That was also reflected in the deep decline in real wages (a fall of 30% in the first two years alone).

Table II/1 Changes in macroeconomic indicators in the first years of the transformation process (1990 – 1993)

Indicator	Unit of measurement	1990	1991	1992	1993	Increase 1993/1989 (in %)
GDP growth (constant prices)	change in %	-1.2	-11.6	-0.5	0.1	-13
Employment	number of people in thousands	5351	5059	4927	4848	-10
Registered unemployment rate	in % of labour force	0.8	2.6	3.1	3.0	–
Consumer prices growth	change in %	9.7	56.6	11.1	20.8	130
Real wages growth	change in %	-5.5	-26.3	10.3	3.7	-20

Source: ČSÚ; VÚPSV (1999) Vývoj hlavních ekonomických a sociálních ukazatelů České republiky

The middle stage of transformation, which corresponds to the years 1994 to 1996/1997, was marked by relatively fast economic revival. Over these years gross domestic product grew by 13%. It rose by 4-6% year-on-year in 1995 and 1996, which was more than in most European Union countries. Even though slight economic growth was also achieved over 1997 as a whole, that year also saw the emergence of serious economic problems. At the end of this middle stage, gross domestic product had come close to the pre-transformation level in 1989.

The economic upturn was also reflected in improvements in employment levels. Apart from 1997, each year saw a slight, 1-2% rise in the number of people in work. Unemployment stagnated at a low level. As gross domestic product grew faster than employment levels, there was also an upturn in productivity. In the said period it rose by about 10%, in contrast to the more than 3% fall in the first years of transformation. The annual rate of inflation also stabilised at a one digit level. Another characteristic feature was the marked increase in the growth of real wages – roughly 30% for the period as a whole. The real wages level of 1989 was regained in 1996.

Whilst these altogether positive trends were taking place, certain external imbalances started to worsen. At fault were the fast rise in real wages mentioned above, which far outstripped the rise in productivity, and

**The economy revived
at the turn of
1993/1994**

particularly the long-term stable Czech crown exchange rate vis-à-vis major foreign currencies. With inflation far higher in the Czech Republic than in developed countries, the Czech crown revaluated to levels that did not match the country's economic standard.

The consequence of weakening exports and rising imports was a trade balance deficit, which gradually took on the alarming proportions of almost CZK 160 billion. Despite the still high positive balance in services, the balance of payments current account deficit exceeded USD 3-4 billion in the last years of the middle stage. That corresponds to 6-7% of gross domestic product. It is generally recognised that a current account deficit of that size can jeopardise a country's economy. In the last year of this period the deficit was far greater even than the active balance of the capital and financial accounts, so for the first time in the history of the Czech Republic its overall balance of payments ended up with a relatively severe deficit (over USD 2 billion).

During this period the country's gross debt rose from its initial level of approximately 20% of gross domestic product to 40%. The relatively favourable economic development, characterised by growth in production and employment, was thus accompanied by emerging and worsening problems in external economic and financial relations.

■ **Table II/2 Changes in selected macroeconomic indicators from 1994 to 1997**

Indicator	Unit of measurement	1994	1995	1996	1997	Increase 1997/1994 (in %)
GDP growth (constant prices)	change in %	2.2	5.9	3.8	0.3	13
Employment	number of people in thousands	4885	5012	5044	4947	2
Registered unemployment rate	in % of labour force	3.3	3.0	3.1	4.4	–
Consumer prices growth	change in %	10.0	9.1	8.8	8.5	42
Real wages growth	change in %	7.7	8.6	8.8	1.9	30
Trade balance	CZK billions (current prices)	-35.1	-95.7	-157.7	-139.3	297
Balance of payments current account	USD billions	-0.8	-1.4	-4.3	-3.2	308

Source: ČSÚ; VÚPSV (1999) Vývoj hlavních ekonomických a sociálních ukazatelů České republiky

The last two years, 1998 and 1999, are somewhat more contradictory and cannot yet be appraised categorically.

The signs of a deteriorating economic situation, especially in the development of gross domestic product, that were already visible in 1997, got much worse in 1998. The consistent decline in gross domestic product over five consecutive quarters, i.e. until the first quarter of 1999 inclusive, was clearly reflected in economic recession. The year-on-year falls in individual quarters got bigger (1-4 %). One of the main long-term reasons for this negative economic development was the privatisation process, which was not entirely successful or effective. Although the first new owners were found fairly quickly, the essential restructuring of the economy did not materialise, as the privatisation was merely formal in many cases. The decline was also influenced by certain short-term factors, however: one key element was the highly restrictive fiscal and monetary measures that stifled the economy.

The first signs of slight year-on-year increases in gross domestic product and a certain visible revival of industry did not come until the second and subsequent quarters of 1999. Compared to the very bad development at the start of the year, these results signal a possible turnaround. The possibility of improvement is also supported by the fact that, after eliminating seasonal influences, gross domestic product in the second quarter rose by more than 3% over the first quarter.

Whilst in 1998 there was a sharp fall in gross domestic product (by more than 2% on average), the results for 1999 as a whole might represent stagnation. The year-on-year fall in gross domestic product is estimated at 0.5% at most. One not entirely favourable element of recent developments, however, is that, after the sharp reduction in real wage growth in 1997 and fall even in their real value in 1998, an inappropriate rise was again seen in 1999 (although the growth in nominal wages is smaller, inflation simultaneously fell sharply). Estimates put the rise in real wages for the year as a whole at 6%, which is twice the envisaged increase in productivity.

The main improvement factor in gross domestic product in recent periods is therefore the renewal of growth in household consumption, which was made possible by the rising purchasing power of the population and its greater willingness to spend. Better foreign trade results have also helped. The growth in household consumption is accompanied by growth in expenditure on final consumption by the government and non-profit institutions. These phenomena are taking place against the background of a fall in the gross formation of fixed capital, however (a fall of 7% compared to the previous year). With such a structure of gross domestic product, it need not necessarily be a sign of a turnaround and long-term, continual growth trends in production.

In the last two years employment levels have again fallen fairly strongly as a result of the economic recession. The soaring unemployment is now greater than in a number of European Union countries. Not even the sharp

**Unfinished
restructuring and
economic reform,
plus a restrictive
economic policy, led
to economic recession**

fall in inflation in the first half of 1999 can be regarded as a purely positive, as it was largely influenced by the tempering or deferral of certain central deregulatory measures, and moreover the economy is essentially stagnating and unemployment is continuing to rise fast.

One positive aspect of development in this period, however, was the marked fall in the previous alarming balance of trade deficit, which fell to at least half the 1996-1997 levels. The balance of payments current account deficit fell even more: it fell to just 2% of gross domestic product in 1998, and in 1999 it will evidently fall even further. This is the effect of lower increases in imports as exports grow, combined with a slightly improving foreign balance in services.

■ **Table II/3 Changes in selected macroeconomic indicators in 1998 and 1999**

Indicator	Unit of measurement	1998				1999	
		I. Q	II. Q	III. Q	IV. Q	I. Q	II. Q
GDP growth (constant prices)	change in %	-0.7	-1.9	-2.6	-3.9	-4.1	0.3
Employment	number of people in thousands	4897	4895	4842	4858	4735	4723
Registered unemployment rate	in % of labour force	5.5	5.4	6.2	7.0	8.1	8.2
Consumer prices growth	change in %	13.3	12.7	9.5	7.5	3.0	2.4
Real wages growth	change in %	-2.1	-5.1	-0.3	2.4	5.4	5.5
Trade balance (current prices)	CZK billions	-16.6	-16.8	-13.6	-32.5	-18.5	-6.7
Balance of payments current account	USD billions	-0.3	-0.2	0.0	-0.5	-0.3	0.3

Source: ČSÚ; VÚPSV (1999) Vývoj hlavních ekonomických a sociálních ukazatelů České republiky

If we are to summarise the current state of the economy relative to the pre-transformation state in 1989, then we can observe the following development tendencies.

The estimated gross domestic product in 1999 is 3-4% below the level of the pre-transformation period of 1989/1999. It would be wrong to view this development as purely negative, however, if we take into account the fundamental change in the structure of production. The proportion of gross domestic product generated by the primary and secondary sphere of the economy at current prices fell from around 52% in 1990 to today's level of roughly 43%, whereas the proportion generated by the tertiary sphere of

GDP is now approximately 3–4% below the 1989/1990 level

services rose sharply. The entire branch structure of production came closer to the needs of the internal and external market.

From the point of view of efficiency, it is significant that throughout this period the number of workers fell by more than gross domestic product. With the exception of 1998, productivity has risen every year since 1992, rising by about one-tenth for the period as a whole. Less reassuring, however, is the fact that productivity growth lagged behind growth in real wages, which rose by about 15% during this period, forcing up imports. The higher import level worsened the balance of payments (particularly in 1996 and 1997).

Inflation (measured as the growth in consumer prices) was relatively high over the past period as a whole. Prices in 1999 are roughly 3.4 times higher than in 1990 (and around 3.7 times higher than in 1989). Nominal wages have risen 3.9 times during this period, however (roughly four-fold since 1989). Starting in 1997, space was created for the above mentioned rise in real wages to exceed the initial level at the start of the transformation period.

Table II/4 Changes in key economic and social indicators in the past transformation period (1990 – 1999)

Indicator	Unit of measurement	1990	1999 (estimate)	Increase 1999/1990 in % (estimate)
Population	thousands of people	10 304	10 280	-0.2
Gross domestic product	CZK billions, 1995 prices	1 449	1 400	-3.4
Employment	thousands of persons	5 351	4 725	-11.7
Productivity	GDP/capita, CZK thousands	271	296	9.4
Registered unemployment rate	in % of labour force	0.8	8.7	–
Nominal wages	CZK	3 286	12 700	286
Consumer prices growth	change in %	–	–	236
Real wages growth	change in %	–	–	14.9

Source: ČSÚ; VÚPSV (1999) Vývoj hlavních ekonomických a sociálních ukazatelů České republiky

So what economic level has the Czech Republic reached in comparison with other countries? This is understandably very hard to measure, yet at the cost of some simplification it is possible to characterise, using the generally recognised indicator of gross domestic product per capita.

According to the results of the “International Comparison Project” conducted by the Statistical Office of the United Nations and its European part – “European Comparison Project” – organised by the OECD, GDP per capita in the Czech Republic, based on the purchasing power of currencies, was roughly 62% of the average OECD level in 1998. There are naturally big differences between individual EU countries and especially between OECD countries. The Czech Republic lags much further behind the leading countries (e.g. Luxembourg, USA, Norway or Switzerland). The Czech Republic is around 40%-50% the level of these countries, and around 55%-60% compared to Germany and France. By contrast, the gap between the Czech Republic and the less developed countries of the European Union (Greece, Portugal and Spain) is not large, at 80%-90% of these countries’ levels. Instead of the expected gradual evening out of the differences, however, the situation has in recent years deteriorated from the Czech Republic’s point of view. In 1996 the Czech Republic was still roughly at two-thirds of the level of OECD countries in terms of GDP per capita, and, according to retrospective OECD calculations, in 1990 it was around 70%.

GDP per capita in the Czech Republic is 62% of the average for OECD member countries

■ **Table II/5 Gross domestic product per capita in 1998 in selected OECD countries (average of 29 OECD countries = 100)**

Country	GDP/capita	Country	GDP/capita
Luxembourg	164	EU average (15 countries)	101
USA	145	Spain	80
Norway	131	Portugal	73
Switzerland	126	Greece	69
Austria	114	Czech Republic	62
Germany	109	Hungary	50
France	105	Poland	38

Source: OECD (1999) Main Economic Indicators (1)

Even when taking Human Development Index (HDI) as a criteria of levels of general human development in the respective countries (taking into account not only GDP per capita, but also other important criteria of life expectancy and education), the Czech Republic with HDI 0.833 for 1997 remains far behind leading EU or OECD countries with HDI between 0.900 – 0.932. Nevertheless, it lags behind less developed EU countries Greece, Portugal and Spain to a smaller extent than in case of GDP per capita, particularly due to high levels of education. Anyway, the Czech Republic belongs to a group of countries with high human development (36th country by rank out of total of 174 published countries in the world) [UNDP 1999, Human Development Report].

1.3. Transformation policies

In the first stage of the transformation of the Czech economy, shock therapy was used, centred around the radical liberalisation of prices and foreign trade and fast privatisation. These first steps were accompanied by restrictive fiscal and monetary policy, including continued wage moderation. The start of the switch from a centrally planned economy to a market oriented one was fast and met with broad international praise on the whole. The Czech Republic was often used as a model and successful example for other transitive countries. The economic priority of the time was to use fundamental system measures to kick-start economic growth in the country as soon as possible, even at the price of negative consequences for the population (an almost 75% rise in consumer prices in the first two years, 30% fall in real wages). At the time the population viewed the negative social impacts as a necessary tax of the transformation process and accepted them as a whole. For that reason this phase of transformation did not engender any major social conflicts.

Transformation was launched by shock therapy

After the first few years economic growth was successful restarted, bringing with it a relaxing of the relatively restrictive policy. Consumer prices growth gradually stabilised at a maximum of 10% per year and as early as 1992 real wages started to rise again (but remained well below pre-transformation levels). In view of the average wage levels, the fast increasing wages inequality, combined with a fall in the ratio of average pension to average wage, meant that a certain part of the population started to be dissatisfied and social tension started to grow. But in government circles a sense of satisfaction with the economic achievements generally prevailed and, in later phases, there were even suggestions that the transformation of the economy had been completed.

As economic growth revived the tough restrictive policies were relaxed

Another turning-point in transformation policy came at the start of the second half of the nineties in connection with the deepening external economic imbalance and emerging political instability in the country. The privatisation process and economic reforms were de facto stopped. Czech economists and politicians held serious debates about the need to change priorities in the country's upcoming development phase. Among other things, this brought the issue of inflation into the foreground.

Anti-inflation measures and the revival of disrupted external economic relations became the top priority

At that time in the Czech Republic, inflation was far lower than in the other transitive countries. Even so, the fact that it was several times higher than the rate of inflation in European Union countries was viewed very seriously, as this could become a serious obstacle to the Czech Republic's entry to the EU. The main priority in transformation policy came to be anti-inflation measures, even at the price of abating economic growth. Both the government's fiscal policy (two packages of budgetary economy measures, including fundamental discussions on the speed at which the residual price

regulation should be scrapped) and the central bank's measures to draw off of the money supply and make money more expensive (substantial increase in commercial banks' mandatory minimum reserves combined with increases in the lombard and discount interest rates) were dictated by this strategy. Naturally, monetary policy at that time was simultaneously targeted at restoring equilibrium in the disrupted external economic relations (though it failed to prevent fully the currency swings, mainly speculative, in the middle of 1997).

Although inflation did start to fall slightly, the measures taken also reduced the purchasing power of the population and, most importantly, held back further investment. That led to a gradual decline in economic growth; the economy stagnated and later went into recession. However, it is very difficult to disentangle the influences of the restrictive measures from the unresolved long-term problems (often formal privatisation, stoppage of the transformation process), which would have manifested themselves in the later economic difficulties in any case.

By contrast, the chosen transformation policy priority of the new minority government of social democrats' party in 1998 was the renewal of economic growth, not just by means of measures to attract more foreign capital and foreign investment (the decisions on most of these measures had in any case been taken under the previous government), but even at the cost of a deficit budget and possible risks of further rises in inflation. The state budget deficit in 1998 was twice that of the previous year and a further increase is expected in 1999. On the other hand, inflation has unexpectedly dropped sharply in the recent period. This is partly due to the tempering or deferral of certain price deregulatory measures and also to the competition between large retail chains to attract customers after the population's purchasing power fell in the previous period.

Overall, it is difficult at this stage to appraise the success or failure of the intended and implemented changes in transformation policy of the recent period. Developments in the second half of 1999 and in the coming years in particular will give a clearer objective picture of the situation. In any case, however, it is imperative that economic reforms are continued, especially in the completion of the privatisation of the banking sector, energy industry and other branches of industry. At the same time it is necessary to ensure that the measures required by the Czech Republic's entry to the European Union are implemented quickly and thoroughly. These measures affect the reform of the state administration, Czech legislation as a whole, the enforceability of the law etc. As far as the overall impacts that the changes in economic development have had on households are concerned, this can be summarised by saying that, save the deep decline in the first years of transformation (1990-1991) and in the year when the recent economic difficulties peaked (1998), households' end consumption has become the

**The new government
in 1998 bet on pro-
growth measures**

main factor in the generation and use of gross domestic product. That has been made possible by the growth in the purchasing power of the population in general, however, with mentioned rapidly increasing income inequality among various groups of population.

2. **Investments and expenditures – allocation of resources**

The scale and development of the funds injected into the economy is best shown by the rate of gross investment. The proportion of gross domestic product expenditure, at current prices, accounted for by gross formation of fixed capital has been relatively high during the past period in the Czech Republic and has even displayed a growth tendency. In the first years of transformation it was 25-27%, in later years as much as 32% (in EU countries the share is on average around just 20%). These shares only started to decline in the last two years when the economy was in recession – in 1998 it fell to 27% and in the first half of 1999 to a mere 22%.

Investment rates rose up to 1997

The allocation of these funds does not always match the economy's real needs, however. Traditionally the largest volume of gross investments still goes into industry – in 1998 approximately 47% of the overall investments in the sector of non-financial corporations as the key sector of the economy. Industry is followed by transport and communications with around 26%, and trade with 14%. A gradual change in the structure of investments allocation by branch can be seen from a comparison with 1993, when industry's share of gross investments reached the unusually high figure of 63%, whilst less than 10% was invested in transport and communications and around just 5% in trade. A lack of investments is still most palpable in the formerly badly neglected area of the environment and, despite the overall large volume, in infrastructure. Entry into the European Union means that these areas will need investment running into sums far beyond the capacity of the Czech economy, and specific solutions will have to be sought for these purposes (foreign investment, deferral of the norms required by the EU etc.).

Table II/6 Changes in the branch structure of tangible investments from 1993 - 1998 (in %)

Sector, branch	1993	1998
Total tangible investments	100.0	100.0
of which non-financial corporate sector	63.2	66.9
Of the non-financial corporate sector:		
Agriculture and forestry	4.2	3.4
Mining industry	4.4	3.0
Manufacturing industry	41.7	29.9
of which*		
foodstuffs industry	5.9	4.1
textile industry	1.8	1.4
chemical industry	4.0	3.3
metallurgy and production of metal products	4.9	3.7
machinery and equipment	2.6	2.2
motor vehicle manufacture	5.0	4.0
Production and distribution of electricity, gas and water	17.1	13.7
Construction	3.1	2.5
Trade	5.1	13.6
Transport and communications	9.6	26.0

* branch structure of the manufacturing industry, data for 1994 instead of 1993

Source: Bulletin ČSÚ 12/93, 12/94 and 4/98

It must be said, of course, that the structure of investments has not been particularly effective. Investment was only partly channelled into the modern industrial technologies required for restructuring. The benefit of a considerable part of the investments can therefore only be indirect and brings no short-term effect.

An idea of the scale of redistribution processes in the economy's development can also be gained from the fiscal quota, i.e. the proportion of gross domestic product accounted for by state budget expenditure. This quota is still relatively high in the Czech Republic, even though it displays a falling tendency – from 35% in the first year of the independent Czech Republic (1993) to 31% in 1998 (but a further 8% or so of GDP passes through the budgets of the districts and municipalities). In the last two years lower budget revenues, mainly due to the economic recession, have affected the scale of budget expenditure. That meant that financing some needs was only possible at the cost of a deficit budget. Transfers to the population in the form of social security benefits and expenditure on employment policy accounted for approximately 40% of all state budget spending in 1998. A further 35% or so of non-investment expenditure headed into fully budget-funded and partially budget-funded organisations (including state budget

The fiscal quota is high but falling

expenditure on education and healthcare). Capital investment expenditure accounted for roughly just 10%; the rest consisted of certain persisting non-investment subsidies to firms, subsidies to local budgets etc.

The tax quota in the Czech Republic – the proportion of gross domestic product accounted for by taxes and fees – is currently at 21%; if social security and health security are included the figure is 38%. In each case the tax quota is falling. The social quota (the proportion of gross domestic product accounted for by expenditure on the welfare system) has for a long time been around 20%, which is about 6% less than the EU countries average. Of course, there are large differences between EU countries too (from 16% in Greece to as much as 35% in Finland).

The tax quota, including mandatory social and health insurance, reaches 38% in the Czech Republic

One of the transformation processes going on in the Czech Republic in the 1990s concerned changes in the living conditions of individuals and social groups. People reacted to them in different ways, depending on their previous experiences, initial positions and abilities to adjust to or profit from the new conditions. New differentiation of society is gradually forming in many aspects. Both demographic and social structures are diversifying. Demographic developments and changes in the social structure are therefore a telling indicator as to the paths that social development is taking on its journey towards the generally acknowledged goals of social and human advancement.

This chapter is dedicated to basic changes in the given areas and their links to transformation processes. The structure of the chapter was influenced by the need to choose only certain aspects from an entire complex of relevant changes, as well as the need to perform a “decomposition” of phenomena that are interconnected in real life. Our starting point is the demographic developments that have been documented in the case of population movement, family behavior or family and household patterns (parts two to four). The next part (five) is concerned with the impact economic changes have had on social stratification, in connection with the population’s economic activities, income inequalities and education. We have added another part (six) on gender differences, which, despite the fact that they play into most forms of social inequality, also have their own special characteristics.

The changes in demographic behaviour that are taking place with unexpected speed are characterised chiefly by the fall in marriage and birth rates. There are two basic causes. On the one hand they are an expression of the democratisation that allows a freer choice of living styles than in the past. Yet they are also a reflection of the current socio-economic conditions and uncertainty about future developments. The demographic processes were also influenced (albeit to a lesser degree) by the opening of the borders, which did not just allow an influx of new ways of thinking and new values but also enabled the movement of people. External migration took on new forms and directions.

Widening social differences are also an integral part of the transformation processes. These differences are a mixture of growing inequalities in material conditions (in incomes and property) and in life styles (especially in their educational and cultural characteristics). Possible sources of this differentiation include the introduction of market relations and privatisation, the widely accepted (at least at the start of transformation) liberal ideas and individuals’ varying levels of social, cultural and economic capital [note 1].

We understand human development as, among other things, a process in which people's chances in life increase and become balanced out between various social groups. In view of the current priorities for social development, particular attention in this respect should be paid to questions of equal opportunities for men and women. Equal social status is not negatively affected by customs or cultural traditions. Formal equality of the sexes is enshrined in the Czech legal order. Even so, behavioural stereotypes preventing real equality in practical life persist. This area contains a number of problems that are being perceived more and more strongly, and not just by women.

1. **Population development and its social and economic consequences**

1.1. **P o p u l a t i o n t r e n d s i n t h e 1 9 9 0 s**

The population of the Czech Republic has been falling since 1994. There are now 10.3 million people living on the territory of the Czech Republic, but around the year 2015 this figure will be very close to the 10 million level, or may even slip below it. The population shrinkage brings with it the prospects of a permanent decline in the population by natural flux and population ageing. The positive balance in external migration is not enough to make up for the loss from natural flux.

**Population decline
and increasing life
expectancy**

The Czech Republic is one of 11 European countries (of the 39 associated in the Council of Europe) with a falling population. In the Czech Republic this decline is less dramatic than in certain East European states [\[note 2\]](#). Even so, it does give rise to concern about both a strengthening of the depopulation trend and changes in the age structure of the population (compare tables III/A and III/C in the appendix). The natural increment in the population has been falling since the 1980s in the Czech Republic, mainly due to a fall in birth rates (since then total natality has kept below 2.0 and the net degree of reproduction below the 1.0 level). In the 1990s the decline in birth rates has sped up even more. From 1985 to 1997 total fertility fell from 1.92 to 1.17. Unlike some East European countries, mortality has also been falling in the 1990s. As the changes in natality deserve more detailed examination, let us first mention the positive trend of the prolonging of life spans.

Although the life expectancy in the Czech Republic lags behind that of developed European countries, the situation has gradually been getting better in the 1990s. The male and female population of the Czech Republic can now expect to live 4 years less than people in those countries. The Czech Republic's mortality rate is somewhere between those of western and eastern Europe. The improvement in mortality was brought about by an elimination of negative influences in ways of life and by an improvement in the quality of medical care and in the quality of the environment. The main factor in the improvement in life expectancy is the fall in death rates in the older age

groups [note 3] (particularly persons of both sexes aged 55 to 84). At the same time there is a decrease of higher mortality in men, which is more than double that in women, and in the 20–29 age group more than triple (in the first case 0.71% compared to 0.34%, in the second case 0.11% compared to 0.03%). The life expectancy has risen more sharply for men than for women in the 1990s [table III/B in the appendix].

From the point of view of the main causes of death, the fall in mortality from circulatory system diseases plays the greatest part in the aforementioned trends (in women it helped increase life expectancy by 0.98 of a year from 1989 to 1996 and in men by 1.05 of a year). The fall in mortality from diseases of the respiratory and digestive system has also had a positive effect. On the other hand, mortality from malignant tumours has remained high. Besides lifestyle and healthcare, the influence of family status is another factor determining levels of illness and mortality. In recent years in the Czech Republic, mortality has fallen in both women and men of all types of family status, but this decline was more marked in the case of persons living in wedlock.

Despite a certain “delay”, the process of demographic ageing, and all the social and economic impacts this brings, seems to be unavoidable. It is largely caused by the rapid decline in natality in recent years, reinforced by both the prolonging of the average life span and the more numerous age cohorts entering post-productive age. The proportion of the population in productive age is currently relatively high (64.5%), because it contains two sizeable generations – people aged between 40 and 54 inclusive and 20 and 25 inclusive. As the first of these generations passes into the post-productive age and the numbers in the younger age cohorts fall, the main change to the age structure will be an increase in the proportion of the older population (see table III/C in the appendix). In 1997, people in the post-productive age (here persons over 60 years old) formed 18% of the population – the prognosis for the year 2020 speaks of a share of as much as 26.3–27.1% [Výhled 1998].

This development is naturally reflected in increased demands on the pension system and the social security system, placing a greater burden on the productive population. If the dependency index (the number of people aged from 0–14 and 60 and over for every hundred people of productive age) was 55.0 in 1997, by the year 2020 it could rise to a value of around 70 [Výhled 1998: 12]. The increase in the financial burden will be just one aspect of the overall changes. The changes will also affect lifestyle, in which caring for the oldest generation, both in the family and in institutional form, will also occupy an important place. A different structure of both population consumption and demand for services can be expected, as can shifts in the structure of political attitudes and preferences.

**Population ageing
will bring serious
problems in the near
future**

It appears today that these problems have only been fully grasped by experts monitoring these processes and a small number of politicians. Research has shown that although the public is aware that it is in each individual's own interest to prepare for old age, it does not fully appreciate the degree to which it is responsible. Decades of paternalistic state care have left their mark. Unfortunately, not even the ruling politicians have taken the alarming prognoses sufficiently seriously yet and have not made use of the more favourable current state of affairs to make timely and thorough preparations for the difficulties brought by an ageing population. Yet not even today's provision for the elderly population can be described as satisfactory. There remains a view of old people as people who lose their self-sufficiency (health point of view), and their social and cultural needs are neglected. We have only just started to look for ways to help families, and particularly women, care for their older relatives.

The reasons mentioned above mean that the age structures of men and women are very different. In 1998, the proportion of women above 60 years old (21.0%) was higher by more than one third in comparison with the figure for men (14.9%).

The overall proportion of women in the population has for a long time been stable (since 1930 it has remained at around 51.5%). In individual age cohorts, however, the proportion of women differs strongly, due to higher mortality in men. In the 70–79 age group almost two-thirds of the population are women, and women make up as much as 70% of the older age groups.

Changes in the age structure of the population are accompanied by changes in other structural indicators

Table III/1 Sex ratio (number of women per 100 men) by age (as of 1.1. of the given year)

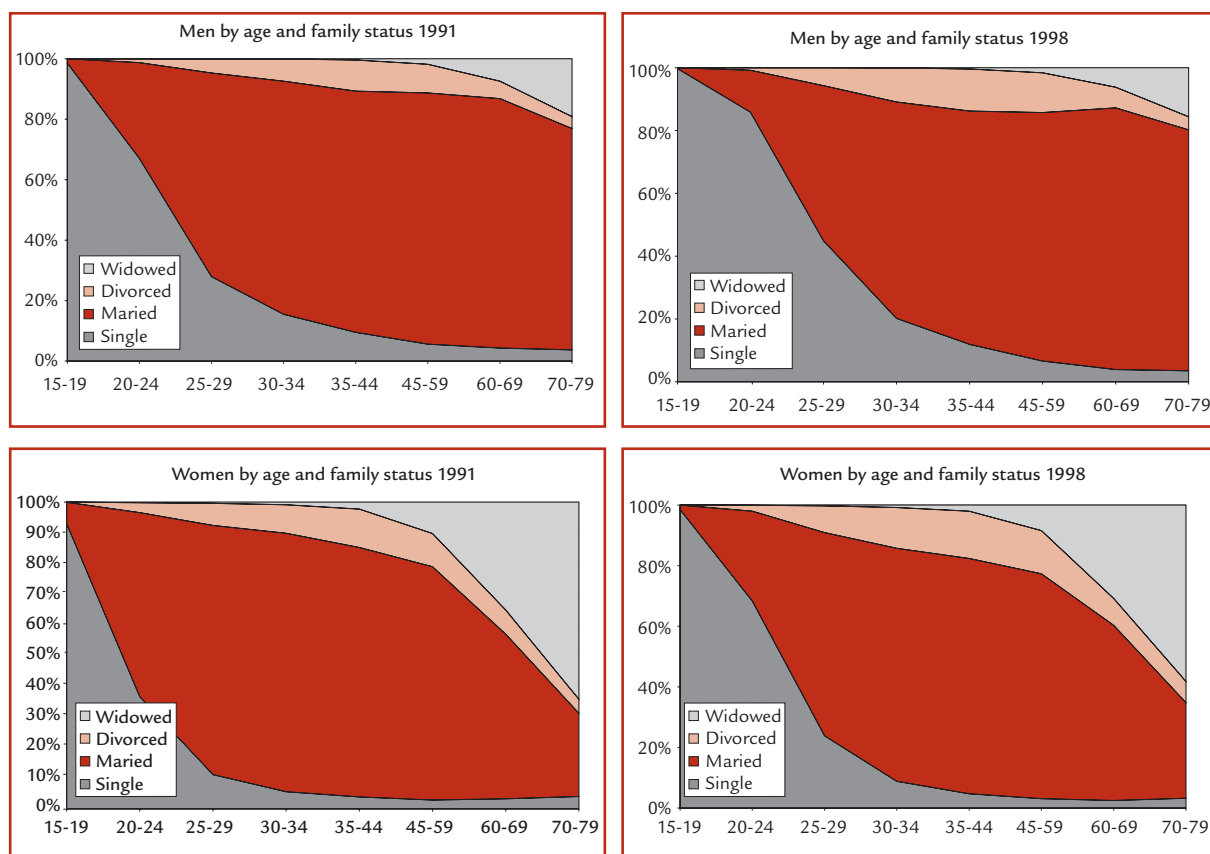
Year	Age group							Total
	0–14	15–29	30–44	45–59	60–69	70–79	80+	
1991	95.3	95.7	98.4	105.6	129.8	165.4	240.7	106.0
1998	95.1	95.7	97.3	104.0	123.9	164.4	239.1	105.6

Source: PFF UK, Populační vývoj České republiky 1998

The fundamental demographic changes have altered the structure of the adult population by age and family status. From 1991 to 1998 there were increases in the total numbers of single people (by 3.9% to 29.3% for men and by 3.7% to 19.8% for women) and divorced people (by 1.8% and 1.9% respectively), while the number of married people has fallen (from 65.1% to 59.9% for men and from 59.8% to 55.5% for women). The proportion of married people in the youngest part of the population is dropping fast. For example, the number of married women in the 20–24 age group fell from

1991–1998 to a half of its initial level, whilst the number of single women has almost doubled. Nevertheless, the number of women in the 45–59 age group who are or have been married is for the moment stable and relatively high – 97%. In the said period the share of single men aged 20–29 rose by 20%. The share of men aged between 45 and 59 inclusive who have been through marriage also remained high in the said period – 94%.

■ **Graph III/1 Sex ratio (number of women per 100 men) by age**
(as of 1.1. of the given year)



Source: ČSÚ

The indicators for first marriage rates [\[note 4\]](#) suggest, however, that the population structure is also starting to change in this respect (fall of the first marriage rates from 95.3% in 1989 to 78.7% in 1997 for women, from 89.2% to 73.1% for men in the same period). The proportion of people living in wedlock in the middle generation is already falling, with ever greater increases in the number of divorced people and rather small decreases in the number of widowed people. The overall fall in the number of widowed people (as a positive consequence of mortality improvement) is most evident in the 60–69 age group of women.

The changes in marital behaviour are increasing the number of people living as singles in the younger and middle generation; at the same time the fall in male mortality is cutting the number of people living alone in the older

generation. That has many economic and social consequences, positive and negative. On the one hand the fall in the number of elderly people living alone can mitigate the problem of providing care for such people. On the other hand the upsurge in the number of young people living alone generates pressure on the need for housing and on housing costs.

The developments in reproductive behaviour in recent years (sharp fall in birth rates, fall in marriage rate indicators) have given rise to conflicting opinions on whether this is a natural process bringing the Czech Republic more into line with the western European reproduction model or a reaction to the economic and social changes since 1989. Although to a large degree the diverse opinions admit the same reasons for the current trends, they differ in the interpretation of their influence and in attributing significance to individual factors.

The influences of the following factors are most frequently discussed: On the one hand we have the greater opportunities for young people to find their place in society and fulfil their ambitions, the orientation on consumerism, the changes in value systems concerning, among other things, alternative forms of partner cohabitation, the growth of secularisation, individualism and the need for personal success, women's emancipation, improving levels of education combined with an interest in professional success, the affordability and quality of contraception – i.e. phenomena that are associated with modernising trends and “naturally” influence family behaviour. On the other hand we observe an increase in living costs, an increase in the costs of children and their education, the lack of affordable housing, insufficient state support for families with children or young families – that is to say, circumstances testifying to a deterioration in living conditions, to a fall in the standard of living and a decline in social protection.

Those who argue “natural development” draw attention to the similarity of the current changes in demographic reproduction in the Czech Republic to the longer-term tendencies in western European countries. Those who hold the opposite view emphasise the differences in the Czech development, and in particular the speed of the main processes and the discrepancy of the changes in their sub-indicators. They call for active government intervention in social matters, housing etc.

Debate on population development

1.2. D e m o g r a p h i c b e h a v i o u r

The socio-economic changes in the 1990s have also led to a break from the long-term stereotypes in demographic behaviour and have sped up the process of the diversification of paths and strategies in life. From the fifties to the nineties, family behaviour in the Czech Republic was characterised by high marriage rates (around 90–95% for men and 96–96% for women), with

Changes in demographic behaviour

people starting a family and having their first children at a young age. The 1990s brought an acceleration of the changes that had begun slowly in the previous decade, i.e. a fall in marriage and birth rates. Despite some fluctuation, divorce rates have again risen slightly. Ever more young people are deferring getting married, which is confirmed by the rise in the average age at the time of first marriage and the changing indicators for first marriages (table III/2). The average age at which single women get married rose by four years in 1989–1998, and by 3.6 years for single men. The fall in the indicator for “premature” marriages after 1990 can be regarded as positive. In 1997 1.8% of women aged between 15 and 19 inclusive were married (there fewer than 0.1% of women in this age group were divorced or widowed). In general, however, the fall in marriage rates is giving rise to concern for further developments in birth rates and a fall in the natural reproduction of the population.

The decline in marriage rates at young age has not yet been compensated for by an increase in middle and older age. A new phenomenon in the period from 1989–1996 was a one-third fall in the marriage rate for divorced people; in 1997 this indicator rose, however.

Another feature of the current trends is the greater differentiation of demographic behaviour. Approximately five marriage and birth models have been created in the Czech Republic in recent years: 1. marriage at young age, followed quickly by the birth of the first child and then other children; 2. marriage at a young age, with children following at a later time after marriage; 3. marriage at a more advanced age, with children following shortly after or possibly even preceding marriage; 4. marriage at a more advanced age, with the birth of children being deferred to a later date; 5. long-term or lifelong childlessness and rejection of marriage, which is manifested in the establishment of informal unions and may result in a “late” birth or even later marriage. Although it is difficult to identify what social position corresponds to which strategies, their very existence is evidence of the diversity of the values, strategies and aspirations of today’s young men and women.

■ **Table III/2 Overview of marriage rate indicators**

Year (period)	Absolute number of marriages	Proportion of marriages between two single partners	Average marrying age of single people		Total first marriage rates in %	
			men	women	men	women
1950–54	81 221		26.37*	23.26*		
1970–74	95 078		24.35**	21.60**		
1980	78 343		24.31	21.51		
1990	90 953	71.6	23.96	21.43	91.1	96.2
1992	74 060	70.1	24.79	22.53	85.7	91.8
1994	58 440	67.7	26.15	23.93	76.4	82.5
1996	53 896	65.9	27.12	24.88	71.4	77.1
1997	57 804	63.8	27.65	25.43	73.1	78.7
1998	55 027	65.2	28.20	25.80		

* 1950, ** 1970

Sources: ČSÚ (1993–1999) Pohyb obyvatelstva v ČR; PřF UK (1995–1999) Populační vývoj České republiky

Whilst the statistical data document a fall in the marriage rates, sociological surveys have not confirmed any major changes in declared attitudes to marriage. In Czech society it has always been, is now and will most likely continue to be the most preferred form of partner cohabitation and environment for raising children in. Attitudes to marriage derive from the traditional social importance attributed to it and also from the fact that for women marriage also constitutes material security. In recent years, however, the ratio of pros and cons has been changing in its subjective perception (and at least partly objectively too). The “prestigious” standing of married women is disappearing; the social status of divorced women has lost its former tinge of inequality and the status of single mother is also becoming less disdained. Today decisions on marriage and starting a family are a freer but also a more responsible act. Greater emphasis is now placed on providing for the family by one’s own endeavour (or possibly with the help of the extended family) than before.

One of the most important factors in the fall in birth rates and the changes in marital behaviour is the increasing education of women. Higher levels of education both raise women’s professional goals and contribute to women having higher demands in their choice of a partner and for the quality of their partner relationships. Educated women in particular are the pioneers of the new models of familial behaviour.

Views differ on the influence that the increase in women’s emancipation has on their familial and marital behaviour, however. The main point is the conflict between the demands for a harmonious and stable family and the demands on emancipated women asserting their individual rights. If the tension that is emerging here is not duly met by support for the reconciling of men’s and women’s family and work duties and interests, women’s emancipation may contribute to changes in demographic

Marriage rates are falling and high divorce rates persist despite the high esteem of the family

behaviour. This fact has not been appreciated sufficiently. Sociologists warn that modern individualism (that is functional in the production sphere) brings constraints in the sphere of human reproduction. The extreme consequences are unstable families and declining birth rates.

In the previous decades the following factors were regarded as the main reasons for the decline in the stability of marriage: a strengthening of individualistic interests and emotional aspects among the motives of marital behaviour, “premature” marriages of immature couples, the large number of conceptions out of wedlock (pregnant brides) and the insufficient supply of good contraceptives. Today much has changed in this area and marriages are being deferred. Lower divorce rates could thus be also attributed to more cautious attitudes towards getting married. Apart from a short-term fall in divorces in young marriages up to three years old, this has not been confirmed, however.

The key causes of the high divorce rate are constant. They include a high level of tolerance in society for divorces and the relatively easy legal access to divorce. That should be reduced by the act on families with amendments from 1998. However, experts think that the decline in the number of divorces in the last quarter of 1998 (following the enactment of the new law) will be merely temporary, unless other factors influencing greater stability in the family are introduced. On the one hand, the amendment tightens the conditions for divorce if minors are growing up in the family (there must be a court decision on the circumstances of the minors after the divorce) and if the partner that was least to blame for the failure of the marriage does not agree with the divorce. On the other hand, however, it also regulates the termination of marriage by divorce by mutual agreement between the partners. In 1997 82% of all divorce applications were upheld; only 1% was turned down and 15% of applications ended in reconciliation.

If before 1990 the total divorce rate [note 5] did not exceed the 38% level, since 1996 it has exceeded 40%. In that year the divorce rate index reached its record high of 61.4% permitted divorces for every 100 marriages. As in previous years, the highest specific rate of divorce throughout the 1990s has been found in the 20–29 age group. From the point of view of the duration of marriages, the third to the sixth year after marriage continue to be critical. During the nineties the proportion of divorced marriages with children fell by 2.6% to 66.9% in 1998, of which divorced marriages with more than one child account for 27.9%. Two-thirds of divorce applicants are women, nevertheless 90% of failed marriages tend to be terminated by agreement between the two partners.

The consequence of these phenomena is an increase in the number and proportion of one-parent families and divorced people in the population. In 1998 13% of men from 35 to 59 years of age were divorced (8% of all age cohorts); 15% of women in this age cohort were divorced (10% of all age cohorts).

**The Czech Republic
has one of the highest
divorce rates in
Europe**

The current character of population development is determined chiefly by the fall in birth rates, particularly in women of the lowest fertile age. In this age category a new model of reproductive behaviour, characterised by a deferral of first marriages and childbirth, is starting to assert itself. This is causing concern about further population development. Although the current low fertility (total fertility 1.16 in 1998) is mostly regarded as temporary, its revival is only expected to be partial, with a rise to 1.32–1.55 by the year 2020.

Up until the 1980s, reproductive behaviour in the Czech Republic was marked by a high fertility rate at the start of the reproductive period and a concentration of fertility in a narrow age span. Most children were born to married couples (91.4 % in 1990) but a share of children born within eight months of marriage was high (about 55 % of all legitimate first births in the 1980s). A two-child family model prevailed – in 1990 the total fertility rate was 1.89.

In the nineties the total number of children born plummeted (the absolute number of live births fell by 29.9% in 1990–1997), and 1997 and 1998 merely brought stagnation. The supposition has thus so far been confirmed that people will put off having children until they are older and that there will be an incalculable increase in the number and proportion of childless women. Although the two-child model continues to dominate family planning, it is fair to assume that fewer women will fulfil their plans than in the past unless the present population climate changes. This depends on a number of factors, including whether it is demonstrated that the current low marriage rate is mainly the result of marriages being deferred to a more advanced age. Another important aspect is the stabilisation of the socio-economic situation in the Czech Republic to an extent that would allow in particular young families to have sufficient material security. Last but not least, there is a question mark over whether the current high value placed on marriage and motherhood will persist and whether the overall climate in society will support the merging of women's interests in the private sphere (as parents, wives etc.) and in the public sphere (as active participants in economic and social life).

Whilst the reduction in natality has put the Czech Republic behind the states of western and northern Europe in total natality indicators, the increase in age at the time of first childbirth has not happened so sharply and in this indicator the Czech Republic still ranks among the eastern European reproduction model. The average age at time of giving birth rose from 24.7 to 26.7 in the 1989–1998 period, and the average age at time of giving birth to the firstborn rose from 22.5 to 24.3. At the same time, the interval between marriage and the birth of the first child and the interval between the birth of the first child and further children have increased, by five months and six months respectively in the period from 1990–1997. Further increases in the differentiation of procreation are expected in the coming years, i.e a more even spread of fertility over various age groups from 20–35 years of age.

The fall in the marriage rate is accompanied by a rapid decline in the birth rate

Table III/3 Overview of natality and fertility indicators

Year	Total fertility rate	Total level of pregnancies	Net rate of reproduction	Average age of mothers at birth of first child	Share of illegitimate live births (as a % of all live births)
1950	1.96	–	1.25		6.3
1961	1.91	3.50	0.98		4.6
1970	1.83	3.21	0.91		5.4
1980	1.86	3.23	0.98		5.6
1990	1.89	3.67	0.91	22.5	8.6
1992	1.72	3.25	0.82	22.2	10.7
1994	1.44	2.37	0.69	22.9	14.5
1996	1.18	2.00	0.57	23.7	16.9
1997	1.17	1.94	0.56	24.0	17.8
1998	1.16	1.91	0.56	24.3	19.0

Sources: ČSÚ (1997) Demografická příručka; PFF UK (1995–1999) Populační vývoj České republiky; Kučera, M. – Šimek, M. (1999) Vývoj obyvatelstva České republiky v roce 1998; ČSÚ (1999) Vývoj obyvatelstva v České republice v roce 1998

Another change in the reproductive behaviour of Czech women is the growing number and proportion of children born out of wedlock, even though in European terms the current proportion is low to average. The Czech Republic is seeing a confrontation between liberal attitudes, influenced by the markedly secularised environment, and the traditional inclination towards legal partnership and parenthood [note 6]. Some of the unmarried mothers are the pioneers of a relatively new lifestyle, in which the traditional link between marriage and motherhood is not perceived as binding or the only correct alternative; some later marry the father of their child. The number of such cases is growing, whilst since 1994 the proportion of firstborn children born within 8 months of marriage, or “shotgun weddings” has fallen. Pregnancy of the female partner therefore remains a reason for getting married, but not necessarily before the birth of the child. Nevertheless, almost half of all first children are still born within eight months of marriage. The proportion of these children rose from 50.6% to 56.4% between 1991 and 1994 inclusive, and subsequently fell to 48.1% in 1997.

Birth rates in unmarried women continued to rise until 1994. Despite the subsequent fall, the absolute number of children born out of wedlock rose by 54% in 1990–1998. At the same time, the numbers and proportions of second children born outside wedlock also rose. Although it is not clear to what extent this is an expression of the growing number of unmarried cohabitation and to what extent the children are children of single mothers, this development is perceived as indicating that the new model of reproductive behaviour is becoming more widespread.

The fall in abortion rates is a favourable indicator of changes in family behaviour (this should be assessed against the background of the fact that for a number of reasons induced abortion was formerly used as a possible method of contraception). The number of induced terminations of pregnancy for every 100 children born fell from 82 to 48 in 1990–1997. Whilst in 1990 induced abortions formed 42% of all pregnancies, in 1997 the figure was just 30%. They are most often undergone by divorced and widowed women, women living in informal unions, and overall by women that already have two children.

For a long time the proportion of miscarriages has hovered around the level of 11 per every 100 children born, which is evidence of a stable state of health of women of reproductive age. The said changes in overall rates for abortions and miscarriages are chiefly the result of the growing use of contraception as a family planning tool. Efforts to promote the use of contraception have yielded good results in recent years – in 1997 38% of women used contraceptives under medical supervision (compared to 21% in 1992), three-quarters of which used hormonal contraception. Contraceptives are not covered by health insurance, but they are generally accessible. They are used more by younger and more educated women.

Further developments in natality will depend on whether the deferred marriages will later be concluded and whether the deferral of children will (or not) change into a refusal to have children. In other words, whether the marriage rates for single women and the intensity of fertility will shift into more advanced ages with the core being in the 25–29 year old age group of women. This expectation is supported by the latest data – in 1997 the fertility of women aged over 25 rose slightly.

2. **Changes in the family and household patterns**

2.1. **S t r u c t u r e o f h o u s e h o l d s b y f a m i l y p a t t e r n s**

The total number of households has to date been rising faster than the population is growing, and it is expected to continue to rise despite the present population shrinkage. This is because the composition and size of households is changing. This phenomenon is related to the aforementioned composition of the population by family status, with the fall in the number of children in a nuclear family and also with the preference for single-generation and two-generation households. From 1961 to 1991 the average number of members of households fell from 2.95 to 2.53 and a bracket of 2.25 to 2.35 is estimated for the year 2020 [Výhled 1998: 21]. As the population ages, adult children are more likely to live independently and the marriage rate falls, there is an increase in the number of one-person households. In 1996 they represented more than one-fifth of all households, with two-thirds being headed by a woman and one-third by a man. A large number of single-person households consist of old

The changes in demographic behaviour are strengthening the trend towards greater plurality of family patterns

people living alone, primarily women (lone women formed 35% of households headed by a person of retirement age and lone men 10%).

By contrast, from as long ago as 1961 to 1991 the proportion of complete family households (made up of married couples with children or without) fell from 71% to 62% of all households. The number of two-parent family households with dependent children rose until the start of the eighties, but fell to just under 56% in 1991. This decline is continuing as a consequence of the fall of marital fertility. In 1996 two-parent families formed two-thirds of households (51% nuclear families without other members and 16% with other members) and one-parent families 10% (in more than half of them another person lived in the household). The overall population development, and particularly the changes in the age composition of the population and in marriage rates, will lead to further falls in the proportion of complete families, and families with children in particular.

This trend is also supported by the fact that less traditional family patterns are becoming more widespread. This has its roots in the growth of individualism, in the democratisation of partner relationships, in the greater freedom enjoyed by women and also in the weakening of the values of conformity and social control. Our statistics have not yet sufficiently recorded the share of unmarried cohabitation, partly because there has been no legal definition of this state. It is assumed that the number of couples living together in this form of partnership is greater than identified in the censuses, which indicated that the proportion of cohabiting men aged from 25 to 29 rose from 1.3% to 2.0% in 1970–1991, and the proportion of women from 1.4% to 2.4%. According to sociological research from 1996, more than 6% of men and almost 7% of women in this age group were living in a state of unmarried cohabitation. The proportion in more advanced age groups was around 2–3%. The research shows that 10–12% of men and 15–20% of women aged from 18 to 30 profess to live in a state of unmarried cohabitation.

A further increase in the number of informal unions is estimated to come from the fall in the marriage rate and the growth in the proportion of children born outside marriage (there is no accurate information about how many of them live in incomplete families and how many with both, unmarried parents). The large majority of demographers and sociologists, however, do not think it very likely that in the current socio-cultural and material conditions unmarried cohabitation will become a more widespread alternative to formal marriage. Even though it is growing, it is more likely to function rather as a transitory phase before marriage (“trying out marriage”) or as a way of resolving the partnerships of divorced or widowed people.

Unlike the less well established type of unmarried cohabitation, the existence of one-parent families has already become a fixed part of the demographic picture of the Czech population. The number and proportion of lone-parent families has kept rising over the last 30 years almost, mainly with a divorcee at the head of the family in place of widow or widower. In 1996 67% of single

mothers were divorced, 15% widowed and 10% unmarried; for men it was 58%, 28% and 5% respectively. In 1996 an average of 1.53 children lived in one-parent families and 1.76 in two-parent families.

Lone-parent families are as a whole perceived as a group socially at risk, achieving demonstrably lower incomes than complete families. However, their living conditions are partly dependent on the nature of their relations with their relatives and other social factors. Improving the care for the truly needy is prevented by the fact that there is insufficient information on all the forms of cohabitation in which lone parents live with their children and of the various paths in life of lone parents.

2.2. A b s e n c e o f a f a m i l y p o l i c y

Population behaviour in the Czech Republic is moving closer to the west European model of family behaviour, but also retains its own specific features. The variance found between the constantly high esteem in which the family and married life are held on the one hand and the fall in the marriage and birth rates on the other hand suggest that the current situation and trends are temporary. At the same time there will be a lot of economic and socio-cultural factors affecting further developments, which make population predictions very complicated. That is one of the reasons that the Czech Republic has in recent years not formed a family or population policy. In conceiving family policy, the problem of the growing variability of family (and non-family) structures is also encountered. It is evident that family policy cannot be limited to social benefits, nor population policy to support for families (or, conversely, family support to support for behavior affecting the birth rate). The situation today is such that, while ensuring the living conditions of families, above all socially disadvantaged ones, is the subject of state social policy [further information in Chapter V.], the complex goals of family policy have not been explicitly formulated, and the importance of population policy is generally called into question.

The question whether to try to formulate a family policy or to give up on efforts to do so remains the subject of debate. Here there is a confrontation between the liberal and social democratic approaches. The basic responsibility of the family, which the state is to support based on the subsidiary principle, solidarity and social justice, is emphasized most frequently. According to some opinions, the state should primarily reinforce the family's ability to ensure the needs of its members, or else supplement it, only replacing it in certain cases. The social democratic approach requires broader intervention, based on the postulate of the state's contribution towards the costs of upbringing children. The family support tools employed today are comparable with those in other countries, as well as with the requirements formulated at the world summit on population and development held in Cairo in 1994. The absence of a family policy has not reduced the scope of the attention paid by the state to family

issues in any basic ways [see parts V.3. and V.4.]. Problems emerge if we assess the substance and consequences of various measures in greater detail. The lack of conception reduces effectiveness and creates gaps in the coverage of diverse situations in the life cycle that require support. For instance, we are still dealing with the problem of the non-use and, on the contrary, the abuse of family benefits, and the level of attention paid to financial support for families contrasts with the low level of development of non-financial support (such as, for example, counselling, prevention of problems in upbringing children), etc. The latest step down the road towards creating and implementing a pro-family policy is the government resolution from July 1999 to establish the institutional bases for resolving the problems of children and families.

3. Internal and external migration

3.1. Internal migration [note 7]

Territorial mobility has for a long time been much lower than in other countries. The levelled living conditions in the past did not sufficiently motivate the population to resettle and the high prices of flats in the last ten years has supported this trend further. The volume of internal migration has gradually been falling since the start of the 1980s and has also fallen sharply in the 1990s. In the last ten years the number of people that have moved house has ranged from 2.0% (in 1998) to 2.6% (1990) of the population per year. At this level of migration people would move house on average once every forty or fifty years. The low territorial mobility was also recorded in the census from 1991, when half of the population declared that they still lived in the municipality they were born in.

The Czech Republic is distinguished by low territorial mobility

Table III/4 Internal migration in the Czech Republic from 1990 to 1998

Year	Absolute number of people moving house	Number of cases of moving per 1000 people
1990	267 222	25.8
1991	244 986	23.8
1992	247 930	24.0
1993	241 261	23.4
1994	210 207	20.3
1995	203 877	19.7
1996	195 554	19.0
1997	197 226	19.1
1998	203 719	19.8

Source: ČSÚ (1998) Vývoj obyvatelstva v České republice v roce 1997; ČSÚ (1998) Vnitřní migrace v ČR v letech 1980–1998

Before 1990 population increases were characteristic for towns with a large stock of housing. By contrast, countryside areas were losing inhabitants. Since 1990, changes in the affordability of housing have caused migration to change directions, and population movement has gradually taken on a suburbanising character. Smaller municipalities in the vicinity of large towns have recorded population increases. In the case of towns, however, the number of people moving out has exceeded the number moving in.

The greatest efflux of inhabitants has been recorded by the capital city, Prague, and the industrial regions in northern Moravia and in northern and western Bohemia. Central Bohemia has become the main focus of immigration with the highest positive migration balance. The most frequently given reasons for moving house [note 8] include “following a family member” and “housing reasons”. The proportion of the population that has moved house for housing reasons in 1990 to 1998 fell slightly compared to previous years due to the lower availability of housing. Moving on the grounds of a change of workplace fell sharply. These circumstances and the low volume of spatial mobility mean that its socio-economic function is very restricted. The main reason is the low affordability of housing for the majority of the population. The negative consequences of low mobility are most evident on the labour market.

The movement of the population since 1990 has had a suburbanising nature.

3.2. External migration

The majority of former eastern bloc states have recorded migration losses in recent years. The Czech Republic is an exception. The main factor influencing this migration behaviour is the fact that the Czech Republic is one of the transforming countries situated in what is called the buffer zone. The opening of the borders did not result in large-scale emigration to western Europe, but the Czech Republic became more attractive as a transit country and gradually as a destination for immigrants as well. In 1998 foreigners made up 2% of the population of the Czech Republic, approximately 0.6% are permanently settled here.

The number of foreigners residing in the Czech Republic under the residency law has risen every year and illegal migration is also on the increase. Although the external migration balance [note 9] is positive, it cannot make up for the loss caused by natural flux. External migration has therefore not yet had a major influence on the demographic structure of the Czech population or its gradual ageing. Table III/5 shows the increase in the size of the population and the migration balance in the Czech Republic since 1992 in absolute terms.

In the 1990s the Czech Republic became a transit country and gradually also a destination for migrants

Table III/5 Population growth and migration balance in the Czech Republic since 1992

Year	Natural growth	Migration balance	Overall growth
1992	1 368	11 781	13 149
1993	2 840	5 476	8 316
1994	-10 794	9 942	-852
1995	-21 816	9 999	-11 817
1996	-22 336	10 129	-12 207
1997	-22 087	12 075	-10 012
1998	-18 992	9 488	-9 504

Source: ČSÚ (1999) Vývoj obyvatelstva v České republice v roce 1998

The changes expected in the near future are small. Immigration flows can be influenced on the one hand by a further increase in how attractive the Czech Republic is and on the other hand by the worsening economic and legal conditions for immigrants (e.g. the current deterioration of the situation on the labour market, the proposed and partially implemented tightening of legislation on the foreigners' residence, employment and business).

**Table III/6 Main source countries of external migration
(number of immigrants, i.e. foreigners granted permanent residence in the Czech Republic)**

Country	1992	1993	1994	1995	1996	1997	1998
Slovakia	11 740	7 276	4 076	3 845	3 450	3 088	2 887
Vietnam	257	205	161	372	720	1 707	1 204
Ukraine	172	279	456	846	1 381	1 524	1 595
Germany	1 671	1 391	1 374	1 198	942	859	688
Russian Federation	166	310	368	364	480	759	593
Bosnia-Herzegovina	–	22	18	49	73	518	179
Yugoslavia	321	206	167	124	175	384	234
USA	504	314	361	372	343	388	255
Croatia	22	48	74	90	102	239	118
Canada	596	421	443	390	296	234	187
Bulgaria	85	63	190	203	150	236	247
Romania	39	27	48	130	250	228	254
Total number of immigrants	19 072	12 900	10 207	10 540	10 857	12 880	10 729

Source: ČSÚ (1993–1999) Pohyb obyvatelstva v ČR v roce 1992–1998

The territorial structure of immigrants to the Czech Republic was influenced by a fall in migration levels from Slovakia, which had for a long time accounted for a substantial part of the migration to the Czech Republic. In 1992, before the division of the federation, migration from Slovakia rose sharply, only to fall again after the creation of the independent Czech Republic in 1993. Other factors influencing the territorial structure of migration are the dwindling wave of former emigrants from the former Czechoslovakia to the west and the fact that the Czech Republic has gradually become a destination for predominantly economic migration.

3.3. W o r k m i g r a t i o n

The largest movements in external migration have so far been in work migration, which both in absolute terms and as a proportion of the economically active population has been rising constantly, with the exception of 1998. The increase in the number of foreigners who have come to the Czech Republic for work is particularly related to the shortage of workers for qualified and unqualified manual workers' occupations on the labour market. This shortage was caused by the higher level of wages in other sectors of the economy, the loss of prestige of certain workers' professions and last but not least by the transformation in the education system, which has led to a large number of secondary school students and an ever falling number of apprentices.

A foreigner who has been granted permanent residence can carry on economic activity without restriction. The legal participation of foreign state citizens on the Czech labour market can take the following forms (which satisfy the conditions for granting long-term residence):

- employment on the basis of a work permit (individual permit for job vacancies and authorisation under contracts for the performance of work),
- employment of Slovak citizens, which does not require a work permit [note 10],
- doing business under a trade licence,
- having interests in commercial companies.

A number of rights guaranteed by the Constitution and other parts of Czech law (outside the area of labour law) are tied to Czech citizenship, or to acquiring a permit for permanent residence. This excludes foreign workers who have only been granted long-term residence from certain rights.

The guarantees constraining exploitation of migrant works are based on the constitutional laws of the Czech Republic and the Charter of Fundamental Rights and Freedoms in particular. There are two forms of prevention of discrimination against foreigners on the labour market. The first is the inspection activity of the labour offices or work safety inspectors. The second is the possibility of seeking protection in court (provided the foreigners are legally employed).

As a result of historical traditions, Slovaks, citizens of certain eastern European states and Vietnamese are most strongly represented in all forms of work migration. Foreigners from western Europe and America participate much less in the labour market. Whilst eastern Europeans are more likely to work in labourers' occupations, western Europeans are employed primarily in professions requiring high levels of qualification.

As of 31. 12. 1998 the largest foreign group working in the Czech Republic on work permits were Ukrainians (19,255 permits), followed by Poles (9,941) and Bulgarians (2,721). Apart from small changes, this composition has stayed the same since 1993. In 1997, Moldavians (2,074 permits in 1998) and Belorussians (2,014 permits in 1998) joined the ranks of the largest groups of foreigners working on work permits. Of western European states and the USA, the largest groups are Germans (1,545), Americans (1,385) and Britons (1,207).

Since 1995 the largest group of foreign nationals working as businessmen and entrepreneurs have been Vietnamese (15,454), Ukrainians (9,942), citizens of the former Yugoslavia (983), Poles (874) and Russians (816); of western European states, Germans (868) and Americans (522). [\[note 11\]](#)

Economic activity of foreigners in the Czech Republic has been rising in all the above mentioned forms since 1996. The number of foreigners doing business in the Czech Republic continued to rise in the following year. This can be statistically documented by the number of work permits, the employment of Slovak citizens and the number of foreigners with trade licences. The first changes in this marked trend came in 1997, when the number of work permits issued to foreigners and registrations of Slovak citizens fell. The fall was balanced out by a strong increase in the number of trade licences granted to foreigners, however, particularly foreigners from eastern European countries. This development was brought about by the agreement made between the Czech Republic and Ukraine on mutual employment of workers, which took force on 1. 1. 1997. The agreement introduced a complicated mechanism for awarding work permits that has played a part in the fact the Ukrainians have started to apply for the much more accessible trade licences instead of work permits (in 1995 809 Ukrainians obtained trade licences; in 1996 there were 2,669 and a year later 8,695 Ukrainians doing business under a trade licence). A further fall in foreigners' economic activity, brought about by the poor economic situation, occurred in 1998.

**Eastern European
nationals and
Vietnamese feature
most strongly in work
migration**

Table III/7 Changes in the numbers of foreign workers and businessmen
(states as at the end of the year)

Form of activity	1993	1994	1995	1996	1997	1998
Work permits to foreigners	28 281	32 871	52 536	71 002	61 044	49 927
(of which EU citizens)	(2 447)	(3 378)	(4 345)	(4 596)	(4 769)	(4 876)
Slovak citizens						
in employment	23 367	39 209	59 323	72 244	69 723	61 320
Total work permits and Slovak citizens	51 648	72 080	111 859	143 246	130 767	111 247
Foreign businessmen			34 047	36 620	55 958	38 714
(of which EU citizens)	–	–	(1 056)	(2 111)	(2 557)	(1 936)
Slovak businessmen	–	–	2 949	5 879	7 571	6 248
Total foreign businessmen	–	18 650	36 996	45 499	63 529	44 962
Total number of foreigners working and doing business (excluding members of commercial companies)	52 093	90 730	148 855	188 745	194 296	156 209
Economically active population of the Czech Republic	5 093 500	5 148 000	5 170 700	5 173 500	5 184 800	5 201 400
Proportion of the economically active population that are foreigners (work permits, Slovak citizens in employment, foreign businessmen, in %)	1.0	1.8	2.9	3.7	3.8	3.0

Sources: Horáková, M. (1998) Mezinárodní pracovní migrace v ČR. Buletin č. 1; ČSÚ (1999) Trh práce v České republice. Časové řady VŠPS (1993–1998)

The business of foreigners from Eastern Europe is often in conflict with the law. Such foreigners present themselves de jure as businessmen but are actually in employment. The law is also obviated in the case of foreigners being employed without work permits or under a contract for performance of work, when the supplier provides the sub-supplier with labour resources and material. These contracts are often concluded as a cover for the hire of labour.

Economically active foreigners are located around the country's regions very unevenly. Almost a third of all foreigners working and doing business in the Czech Republic operate in Prague. Besides Prague, foreigners concentrate on industrial regions where there is a demand for less qualified work such as north Moravia (Ostrava and Karviná districts) and south Moravia (Brno-city district). These territories account for a total of 14% to 16% of all foreigners working and doing business in the Czech Republic. South Bohemia attracts the fewest foreigners (approximately 5 %).

3.4. Refugees and citizens with temporary protection status

In certain instances a foreigner can be granted refugee status [note 12] for a period of five years in the Czech Republic. From June 1990 to December 1998 17 887 foreigners from more than forty countries applied for refugee status. Around one-tenth of the applicants were awarded refugee status [Horáková 1999: 21].

State citizens from the countries of the Federal Republic of Yugoslavia, or after 1. 1. 1994 citizens of Bosnia-Herzegovina, were given what is called temporary protection status in humanitarian centres of the ministry of the interior. In view of the developments in Bosnia-Herzegovina their residence was extended to 30. 9. 1997. Temporary protection status was given to 5 238 citizens of the former Federal Republic of Yugoslavia [Horáková 1999: 22].

Various non-governmental organisations such as the Czech Helsinki Committee and the Organization for Aid to Refugees deal with the issue of refugees' human rights and provide advice and specialised programmes.

4. Changes in the social structure – the growth of opportunities and inequalities

4.1. Origins of the current changes in the social structure

The changes in the social structure of Czech society in the nineties reflected the dynamics of economic and political development. In terms of the economy its fundamental aspects were the restoration of market relations and the private sphere, in politics the democratisation of the conditions for active participation and in culture the availability of information and broadening of possibilities in education. The transformation processes were unavoidably reflected in a diversification of the living conditions and chances of individuals and social groups. The specific consequences of the social and economic changes on social stratification are dependent on individuals' ability to make use of these opportunities, which is one of the sources of inequality.

Social differentiation is conditional on diverse and overlapping processes, of which the key process is the social, economic and political transformation. The growth of vertical social inequalities was partly caused by a change in the importance of individual differentiation factors, with the decisive influence shifting to those factors that are based on a relatively open society, market relations and modernising trends. Performance principles got stronger, but at the same time a link to the previous development was evident. Certain non-performance factors remained significant, primarily demographic factors (e.g. regional and local differentiation and family background, but the influence of sex or age declined). In 1996 P. Machonin wrote that "the social

structure... is still a long way from being the kind of structure typical for developed western countries and from being at all settled” [Machonin, Tuček 1996: 335]. This is still the case and it is reasonable to doubt that the situation will become settled in the near future.

We can find the preconditions of the social structure developments of this decade both in the past (in pre-war Czechoslovakia and in the structure created during 40 years of communist rule after the Second World War) and in the economic and social processes during the transformation. The combination of diverse influences gives rise to conditions in which it is hard for fundamental social relations and social differences to become well established. Today’s trends cannot be understood without a basic knowledge of these influences. Let us therefore recall a few starting-points:

1. The middle classes [note 13] formed an important social group in the social structure of pre-war Czechoslovakia and played an important role in economic and political life [note 14]. The number of businessmen in the industrialised Czech Lands grew from 1921 to 1937. Small businessmen formed a quarter of the economically active. Manual labourers formed a strong, if shrinking, proportion [Krejčí, Machonin 1996: 116].
2. Post-war developments from the 1950s to the 1980s were subjugated to the endeavour to build a classless, socially homogeneous society in which basic social differences would not exist and the middle classes would be suppressed. Whilst in pre-war Czech society there was already a process of bringing qualified labourers closer to the middle classes, in the post-war period the communist regime sought to subjugate the middle classes to the hegemony of the working classes [Večerník 1997: 266]. At the start of this period the status and influence of the upper and middle classes was broken when their property was seized. In the following years the living conditions of the majority of society were levelled, especially in consequence of the minimised wage differentiation. From the point of view of political and economic power, however, large differences existed between the countless privileged classes (linked to the communist party) and the rest of society. Society also stratified in terms of education and the complexity of work and lifestyle, in conflict with the small differences in (official) incomes, and power was concentrated in a small social class. Income and property inequalities were also influenced by the informal economy and the easier access the privileged classes had to funds. This social structure is marked by the mutual functional dependency of totalitarianism and the combination of egalitarianism and undeserved privileges of the nomenclature [Machonin, Tuček 1994: 286]. This is the social structure that was inherited by society at the start of the transformation period.

Today’s changes have historical roots

3. New sources of social differentiation came from the restoration of the market environment, privatisation and liberalisation. They opened the way for upward mobility at the start of the 1990s. The emergence of the private sector and the greater room for technological innovation radically changed the structure of employment. As well as liberalising market relations, the private sector also influenced the growth of income inequalities, checked to some extent by partial wage control and the gradual deregulation of certain prices (which still persists with housing rent and energy prices). The inequalities started more and more to reflect sector and branch differentiation and differences in levels of education and qualification. Efforts to overcome certain sources of social differences that were particular to the past regime also played a part. These efforts occurred, with various degrees of success, roughly in the three forms:
- a/ Certain families and individuals achieved restitution of property that had been nationalised under the communist regime. This property is used in a wide variety of ways (for more details see Chapter VI). 30–40% of the population was able to exercise restitution claims (44% of households state that they were divested of some kind of property, but it is not known how many of them had their property restored to them), but the value of the claims exercised accounts for just around 7% of privatised property [Večerník 1998: 150]. Only some restituted used the restoration of property as a way to reinforce their capital for starting up a private business. In some cases, restitution represented a burden of some sort (often real estate in a state of neglect and a lack of funds for renovation).
 - b/ Although the former ruling classes were divested of their political and thus also economic power, the property they had amassed was left to them. In an environment where the changes to the economic system outpaced the changes to the legal system and the institutional base, that made it possible for a large part of the formerly privileged groups to transfer large amounts of property into their own hands or administration. In that way a part of the new economic elite and property-owning class was formed outside the framework of performance-based principles.
 - c/ The adjustments gradually made to social incomes had a smaller scope and lesser impact. The first steps eliminated the most blatant cases of pensioners' households lagging behind in terms of income. Considerable effort was also devoted to creating a social safety net to support those who, through no fault of their own, were unable to succeed in the transforming economic conditions. The safety net was designed to help the newly emerging category of unemployed (not too numerous until the end of 1997) and those with low incomes.

4.2. Main aspects of social stratification

Wages and incomes are covered in Chapter VI, and so here we will merely mention their relationship to social stratification. Incomes were the most dynamically changing indicator of social (socio-economic) status in the 1990s. In this aspect their role is growing, and not just in view of the considerable wage and income levelling in the Czech Republic before 1989. Income inequalities are today much more closely linked to socio-professional differentiation.

**Income inequalities
grew in several stages**

Above all, there was a deepening of wage and income inequalities [note 15]. The dynamics of this change varied in individual periods of time and in different sectors of the economy. Up to around 1993 the most evident change was the growth in wages in the top income groups, whilst the ratio of the lowest earnings to the average did not change much at all. Subsequent years saw the speed of change of income inequalities increase at both ends of the income hierarchy and simultaneously a greater concentration of middle-high working incomes around the average.

Despite the fact that the distance between the lowest incomes and the average incomes grew, the stratum of poor people remained quantitatively insignificant [for the proportion of poor people see Chapter VI.4] and was mainly composed of people without working incomes (pensioners or the long-term unemployed, particularly people living alone). They were gradually joined by low-income households – with a larger number of children or smaller number of earners (particularly single mothers). The incomes of the classes that can sociologically be described as middle were, with a degree of internal differentiation, for the most part squeezed towards the average [Večerník 1998: 219]. One effect of this is that roughly half the working classes has a higher average net household income than the lower middle classes, whose incomes are just about the overall average [Microcensus 1996].

The shift of differential influence from factors typical for a state-controlled economy (demographic factors and politically dictated factors of “merit”) to factors corresponding to a market environment represented a fundamental change in wage structure. The formerly very significant factors of sex and age are getting relatively weaker (but have not been eliminated, see part III.6). By contrast, the influence of human capital, i.e. qualifications, position in the management structure and also the value and circumstances of the work actually being done is strengthening. One can only deduce [note 16] that this is a matter of work experience being put to use, performance in a specific work function, the effectiveness of individual organisations’ business etc.

Attained social status is thus determined more by a person’s own performance, his social and educational capital and his ability to operate on the labour market. But it is far from clear that the valuation of education and qualifications in incomes takes place “in competition” with other differentiating factors such as the already mentioned market success of an

enterprise and inheritance to ownership sector. On the other hand, the value attained from a particular level of education is very variable. For example, there are growing differences between the value deriving from a university education in the sphere of services “for manufacturing or financial capital (managers, bank clerks)” and services “for human capital” (teachers, doctors) [Večerník 1998: 50]. For a long time the low wages received by senior experts in the state sphere – in education, culture, healthcare, science and research – have been criticised. There are a number of reasons for this, among them the limited possibilities of the state budget their remuneration is dependent on or the relative inability of the state sector to assert performance principles in remuneration [wage fixing is dealt with in Chapter VI].

Switching the weight to the said influences of wage and income differentiation is conditional on the formation of a new social structure. In the current income structure, businessmen and independent entrepreneurs, along with some top specialists working both in private and foreign firms and in highly qualified positions (managers, lawyers, politicians, senior state officials), especially in certain branches (banking and public administration in particular), are among those most highly valued (roughly 8–10% of the economically active [System Change 1999: 53]). Young age cohorts and employees in non-manufacturing branches now make up a smaller proportion of the workers rewarded with the lowest wages, whilst the proportion accounted for by the unqualified, by workers with low levels of qualification and without a specialist education and by people working in agriculture is growing.

Privatisation, structural changes in the Czech economy and the penetration of foreign capital created the right conditions at the start of the nineties for vertical and horizontal movements in the socio-professional structure of the economically active population. The shift into the newly emerging private sector was the biggest change. At the start of this period small and medium-sized enterprise, mostly in services, was renewed, taken up partly by those who could carry on their profession on a private basis, partly by those who could put to use a small personal business or property and partly by those who either in the so-called small scale privatisation or through restitution acquired shops and small business establishments [Tuček 1996: 16]. For that reason the composition of these entrepreneurs is diverse in profession, field and level of education. Starting an enterprise brought an improvement in overall status to just some of them.

The group of businessmen owning large amounts property started to form later. It was mainly derived from senior management levels, the former state firms and people with financial capital. It also partially arose out of the owners of capital accumulated from small scale privatisation and in exceptional cases those who had had large amounts of property restituted

[Tuček 1996: 17].

Changes in socio-professional standing – new room for professional and social mobility

After its sharp increase at the start of this decade, the establishment of private enterprises gradually slowed down. By the middle of the 1990s roughly 15% of the economically active population (former employees and co-operative members) had started a private business [System Change 1999: 103]. The proportion of self-employed people and entrepreneurs active in 1992–1999 rose from 8.7% of the population to 13.9% [Trh práce 1999, Zaměstnanost a nezaměstnanost 1999] [see table IV/1]. The proportion of the population accounted for by private sector employees also increased sharply: in 1995 it reached 51 % and in 1997 as much as 66 %. Because the private sector in the Czech Republic was practically starting from scratch, its growth was very rapid. The increase in the number of business entities only accounted for a small part of all the unexpectedly numerous movements on the labour market, however. Around 70% of the economically active population underwent a change of occupation before 1996, if we include changing employer, changing occupation, starting a private business, moving to a higher or lower position and losing a job. School leavers entering the job market and people entering retirement are not included in this calculation [Večerník 1998: 23]. If we just look at mobility by socio-professional categories [note 17], almost one-third of the economically active experienced one of the possible movements [according to a representative survey from 1995, System Change 1999: 102]. The upward mobility exceeded the downward mobility (20% and 13% respectively).

Contrary to expectations, a large part of the movements on the labour market took place voluntarily, partly as a reaction to the freer overall environment and evidently in foresight of the increasing tension on the labour market in the near future. Approximately just 40% of these movements [Večerník 1998: 23] were related to companies being reorganised, workers being made redundant etc. For that reason it is not so surprising that upward professional mobility prevailed (we also see starting an independent business as an upward move). It is more that the major sources of this upward mobility included technological changes (modernisation) and the need to create an entirely new infrastructure corresponding to the market environment, both of which place higher demands on qualification.

The resulting changes in the socio-professional and employment structure that have an impact on overall stratification and its individual dimensions (incomes, education and others) can be described as follows:

- a/ the overall level of employment fell slightly;
- b/ the share of the primary and secondary sector fell in favour of that of the tertiary and quaternary;
- c/ the branch structure changed – besides the changes mentioned in point b), there was an increase in the proportion of people employed in finance and insurance, in state administration, in trade and services of a material nature and partially in construction, whilst the proportion employed in agriculture fell, as to a lesser degree did the

- proportion employed in industry; the proportions in education, healthcare and social services were relatively stable;
- d/ the group of persons carrying on a private business emerged, grew and later stabilised;
 - e/ employment in the private sector, in foreign firms and firms partly foreign-owned grew, reducing employment in state firms to a minimum;
 - f/ the average level of qualification rose, particularly through the fall in the proportion of workers in the lowest qualification levels (table III/8);
 - g/ the employment structure by complexity of work is polarising slightly, i.e. the proportion of workers in the top and bottom levels of the scale of complexity grew and the proportion in middle positions fell.

Table III/8 Structure of the employed in the national economy by employment classification in 1993 – 1999*

Year	1993	1995	1997	1999
Legislators, managers and directors	4.4	6.2	6.6	6.7
Scientific and specialist non-manual workers	9.2	9.4	9.7	9.7
Technicians, healthcare and teaching workers and related fields	17.9	17.9	18.0	18.3
Lower administrative workers	7.4	7.6	8.1	7.9
Retail workers in services and trade	10.6	11.2	11.8	12.3
Qualified labourers in agriculture and forestry and related fields	2.6	2.4	2.2	2.1
Craftsmen and qualified manufacturers, processors, repairmen	22.8	21.7	21.1	21.0
Plant and machinery operators	13.2	12.9	12.6	12.7
Ancillary and unqualified workers	10.2	9.5	8.7	8.2
Members of the armed forces	1.5	1.1	1.1	1.1
Not ascertained	0.2	0.1	0.1	0.0

Source: ČSÚ (1999) Trh práce v České republice. Časové řady VŠPS (1993–1998); ČSÚ (1993–1999)

Zaměstnanost a nezaměstnanost v České republice podle VŠPS

*In the years 1993–1997 average per year, 1999 first quarter

Another cause of the changes in the employment structure was the generational exchange on the labour market. In the first years after the fall of communism young people had unexpected possibilities for fast work careers, and these opportunities were benefited from by those young people who perceived them and successfully used them. As a result of the young generation's higher levels of education and qualification, their preference for developing branches and professions and for the private sector, the professional paths of the young are different from previous generations. In

recent years, however, even the Czech labour market is starting to encounter the problem of a lack of opportunities for school leavers.

Despite these changes the structure of employment by branch and professional categories is different from that in EU countries. The most fundamental differences are in the ratio of the secondary and tertiary sphere and in the larger representation of the working-class professions to the detriment of specialists and office workers in the Czech Republic [České 1999: 31].

Changes in the structure of education are an important precondition for the transformation of the structure of employment and a greater intensity of professional mobility. The socio-political changes made room for new forms of education. The school system was transformed towards offering more diverse study opportunities. Absolute numbers of students in all types of schools grew steadily in the nineties (table III/9). The figures for the numbers of people accepted into new or redesigned forms of day study are evidence of the greater variety in the educational paths for the young generation:

- lower years of grammar schools (corresponding to elementary school years): in the 92/93 school year 8.1 thousand, in 95/96 13.6 thousand, in 97/98 13.8 thousand;
- post-matriculation study: in 89/90 2.1 thousand, in 92/93 7.9 thousand, and in 95/96 9.9 thousand;
- extended secondary school-level study (for school leavers without matriculation): in 92/93 2.1 thousand, in 95/96 20.3 thousand, in 97/98 19.6 thousand;
- new higher professional schools: in 95/96 2.9 thousand and in 97/98 11.8 thousand.

**Educational structure
in confrontation with
the new requirements
on the labour market**

**Table III/9 Students taken on in various types and levels of schools
(in thousands)**

	Elementary schools	Total secondary schools	Grammar schools	Technical secondary schools	Secondary apprentice schools	Universities
1980/81	151	157	24.6	44.0	89.2	23.0
1985/86	137	143	22.1	35.5	86.0	20.6
1989/90	174	176	26.1	44.2	106.0	22.9
1992/93	175	184	29.7	59.3	95.5	28.1
1995/96	132	185	27.1	60.5	62.6	35.6
1997/98	117	157	26.6	50.2	49.7	39.4

Source: ÚIV (1998) Historická ročenka školství v České republice

The emergence and development of private secondary schools met the demand for secondary school study both in a number of developing areas (economics, services, trade, languages) and in traditional areas (grammar schools). The fees in private schools were not so high as to make these schools unaffordable for the majority of the population. This made access to higher education easier. The former fixed proportions between apprenticeship and full secondary school education were scrapped and room for post-matriculation study opened up. There was also a marked expansion of opportunities for university study [table III/D in the appendix], but supply is still a long way from satisfying demand, due to the limited capacities and the barring of the private sector from this level of education.

The changes on the labour market induced progress in the area of lifelong education. The diversification of forms and educational entities makes acquiring reliable statistical data in this area very difficult, however. A representative sociological survey by the Research Institute for Labour and Social Affairs (RILSA) found that 46% of men and 44% of women have obtained some form of further education or qualification during their work career. Qualification and re-training courses (20% each) and language courses (11% and 9% respectively) predominate for both sexes. In contrast to childhood education, the majority of qualification and requalification training programmes are run commercially. The exception is re-training that forms part of an active employment policy organised and thus also financially supported by the labour offices. One can only estimate the extent to which these circumstances may have a selection affect in further education.

Despite these changes, it has not yet been possible to redress the deformation of the previous period most evident at the university education level. The Czech Republic lags behind EU countries in the number of university students, even though the proportion of students in the 20–34 age group in the Czech Republic and EU was evenly balanced in the mid-1960s [České 1999: 67]. In comparison with developed countries, it is the proportions of people studying over 22 years of age that are particularly low. The net degree of participation in university-type tertiary education (i.e. the proportion of people studying in a given age group) differs from that in OECD countries, as shown in table III/10:

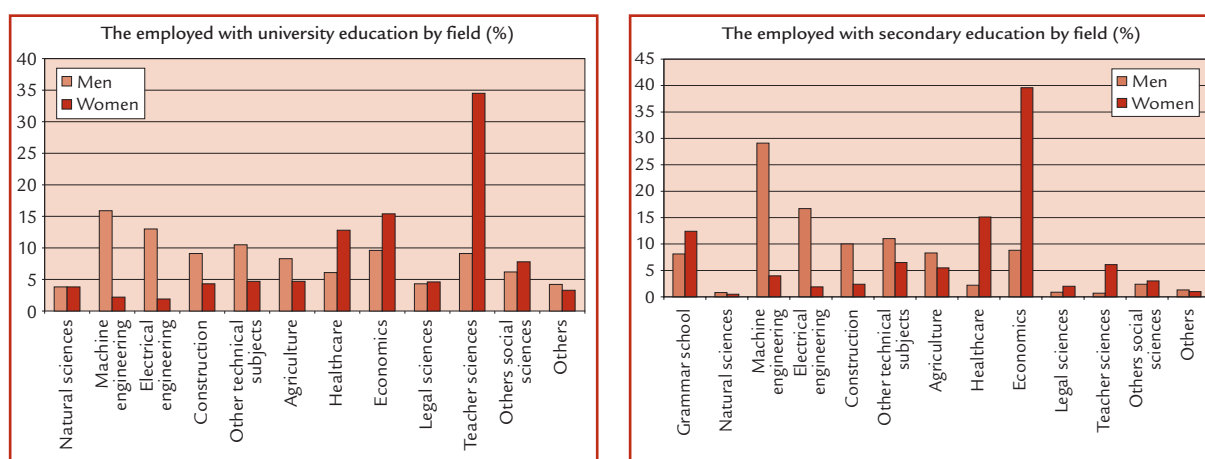
■ **Table III/10 Proportions of people studying in selected age groups in the Czech Republic and in OECD countries in 1994**

Age	18–21	22–25	26–29
Czech Republic	12	7	2
OECD average	16	12	5

Source: OECD (1996) Education at a Glance

Today's educational level and structure mainly reflect the results of the policy of the previous decades. That is why they are marked by a strong representation of incomplete secondary education and a low (compared to developed countries) proportion of university students [see tables IV/4 and IV/5]. The structurally changing labour market does not just demand a greater number of workers with higher education, however, it also requires a different quality of education. Demand has not just been changing with regard to higher qualifications, but also from the point of view of different fields or professional structure. Qualified labour will moreover have to be more and more able to adapt during its working life. Education will not be measured simply by the length of time spent in school, but mainly by the breadth and adaptability of the knowledge and skills acquired, potential for creativity and innovation, social skills etc. For that reason great attention has recently been paid to analyses of institutional and qualitative changes to the education system and to finding ways to link education policy to employment policy.

■ Graph III/2



Source: ČSÚ (1999) Trh práce v České republice

4.3. New aspects of social stratification

The transformation processes stimulated changes in the socio-professional and class structure of the population. The data reveals that fundamental changes have been taking place in the formation of the middle classes and in the transformation of the economic and ruling elite. Smaller changes have taken place in the lower strata of social stratification, but that is also where significant numbers of upwardly mobile people have been recruited. In their case the most frequent form of upward movement was the start of an independent business.

Social stratification displays many features of a transitional situation

Table III/11 Structure of the economically active population aged 20–65 years (%)

Social group	1983	1988	1993	1996	1997
Higher professional	8.5	9.4	9.1	11.7	13.7
Lower professional	14.0	15.5	16.8	17.5	20.0
Routine non-manual	14.2	14.0	14.1	17.3	14.8
Self-employed with employees	0.0	0.0	1.2	1.7	3.2
Self-employed without employees	0.5	0.6	4.3	2.3	3.2
Foremen, lower technicians	4.7	5.0	3.9	5.3	7.9
Skilled workers	19.3	19.4	17.9	15.9	15.5
Unskilled workers	31.3	29.2	27.1	23.7	20.0
Agricultural labourers	7.2	6.7	4.9	4.1	1.3
Private farmers	0.3	0.2	0.7	0.5	0.4

Source: Večerník 1998: 207

There have so far been no clear development tendencies of social differentiation. The current social structure is formed both by a breaking down of old social differences (or possibly forced egalitarianism) and by an increase of inequalities whose diversity of preconditions we have already indicated. That has made the processes forming the social structure very remote from the natural development in standard capitalist conditions. Creating a really achievable level of balanced chances comes up against a number of barriers. One reason is that forty years of totalitarian rule has made many people unprepared to make use of the new opportunities. Although views and opinions on the changes in the social structure of Czech society differ, the common conclusion of various analysts is that in comparison with developed western societies conflicts between individual indicators of inequality, which in developed countries largely form an organic whole, persist in the Czech Republic.

Status consistency [note 18] is a significant parameter of the development of the social structure and a factor reflected in human behaviour. It describes a relative harmony of characteristics that indicate an individual's social status and place him in social categories of people with equivalent overall status. The main indicators are education, employment and income, and also participation in power, property and lifestyle. If a harmonious combination of these status indicators prevails in society, we can talk of a stratified society. Even though the existing stratification trend is marked by a strengthening of status consistency, that does not apply equally to different social categories [Machonin, Tuček 1994: 301, Matějů, Kreidl 1999: 287]. From the point of view of the three fundamental indicators (education, employment, income) status consistency is lower where performance principles are applied less and where there is less income inequality. That is the case chiefly with workers in the

public sector and state firms; from the point of view of professional class it applies to office-workers and specialists [Matějů, Kreidl 1999: 284]. As Machonin points out, the inconsistency of income and educational-professional indicators in these social categories can jeopardise the formation of a middle class and the assertion of performance principles in the formation of social stratification [System Change 1999: 54]. In a similar spirit Matějů and Kreidl draw attention to the fact that higher consistency leads to greater harmony between social status and its subjective evaluation and thus to a clearer determination of voting behaviour.

One of the core changes in social structure in this decade has been the formation of the middle classes. Besides the above mentioned resurgence and growth in the numbers of small and medium-sized businessmen, the stratum of higher professionals has also been changing. The proportion of them employed in management positions in the private sector and carrying on a private business grew. In absolute terms the number of specialist employees in the public sphere keeps rising.

In every developed society it is possible to distinguish the old and new middle class [cf. Večerník 1998: 155–156]. Small and medium-sized businessmen and private tradesmen tend to be put in the old middle class. The new middle class mainly consists of people with university-level (partially secondary school) education in professions demanding specific skills and knowledge [note 19]. The latter group already existed in the Czech Republic before the social transformation and its current changes merely signify a different direction of development. The first group, however, started from scratch, even though certain links to the pre-war social structure did exist (based on family traditions interrupted during the communist regime and on retained or restored property).

The formation of the old middle class is an inherent part of privatisation as a central tool of economic and social transformation in the nineties; even so, the efforts of many of its representatives tend not to have sufficient support. Small businessmen bear a considerable tax and credit burden and they lack support against foreign competition. The new middle class is diverse in terms of its conditions. Public sector workers (teachers, doctors, research workers) have to date suffered from a shortage of budget funds available for pay, so their often inappropriate pay valuation (inherited from the period of communist egalitarianism and an undervaluing of mental work) contrasts with their education, professional status, social value and the complexity of their work. Against this, the transforming manager category has not just grown quantitatively throughout the nineties, it has also achieved high financial valuation in most cases.

The different paths taken by the rebirth of the middle class mean that it has not yet formed as a relatively compact social force in terms of its influence on decision-making and furthering its own interests. Its political attitudes and

The inconsistent process of the middle classes formation

preferences differ from those of the middle classes in developed western countries, which are marked by a difference in the interests of the old and new middle class. In the Czech Republic both groups display a wide range of political attitudes from right-wing to left-wing orientation.

The conflict between the social role of the middle class in a modern society on the one hand and the course of its formation so far in the Czech Republic on the other is a frequent target of criticism. The criticism centres on the insufficient valuation of the economic and political role of the middle classes, the influence of their value system and loyal attitudes on social stability [Večerník, Matějů 1998, Večerník 1999]. According to these opinions, the formation of the middle classes was marked by a move away from the proclaimed objectives of social policy reform and by an inordinate emphasis on liberal principles.

Labourers' professions are typical for the lower classes. Their internal structure is determined by the level of qualification and inherence to the property-owning sector [Šanderová 1999: 27]. According to both socio-professional characteristics and people's subjective self-classification, this stratum is made up of roughly one-third of the economically active. From the point of view of income differentiation in the lower classes, some of them are moving further away from the middle classes. This differentiation is conditional on demographic factors as well as socio-professional status.

The stratum of the poor and those at risk of poverty is not just made up of people with low work incomes or people marginalised on the labour market [Sirovátka 1996], it also includes households with a particular ratio of (gainfully employed) adults and dependent children. If we take into consideration the contexts of these characteristics, poverty also threatens young families (due to gainful activity being interrupted when caring for the child) and people with lower levels of education (they tend to have not only lower incomes but also more children). It is clear that the risk of poverty is the consequence of a combination of factors. Although the theoretical possibility of particularly adverse combinations always exists, the possibility that a large underclass will be created is generally dismissed.

The creation of a social safety net at the start of the transformation period and the preference for means-tested payment of social benefits has helped make poverty remain a marginal problem. In 1996 2.1% of households had incomes below the official poverty line [see Chapter VI for more details]. Even just 2.9% of worker's households, whose work is worst paid, are below the officially stipulated subsistence level. On the other hand even the middle classes' incomes are pushed down to the level of the lower classes, so 42% of all Czech households have incomes of at most 1.9 times the subsistence level. The employed population is only to a small degree at risk of actual poverty. More than half of poor households has no members in gainful activity.

The lower classes are becoming differentiated, part is under threat of social exclusion

Our findings about social structure mainly concern the economically active population (inequalities of incomes and standard of living concern the whole population). The way in which the social status attained by an individual during the productive age is carried into the post-productive age remains on the margins of experts' interest. A situation where the end of economic activity brings a substantial fall in incomes and a gradual loss of social status and prestige seems to be persisting, as a certain legacy of the past. However, pensioners are usually kept out of the official poverty threshold by the official construction of the subsistence minimum and the minimum pension.

5. Gender differences and the new understanding of equal opportunities for men and women

5.1. Formal aspects of equal opportunities for men and women

On the one hand, the Czech Republic has a long history of women's participation in public life (starting in the last century with the inclusion of women in the national revival movement) and in the creation of equal conditions for men and women. On the other hand, equal opportunities issues are not high-priority topics in either politics or public life. Recognition of the significance of equal status for men and women is documented by the fact that since the creation of Czechoslovakia and later the Czech Republic [note 20] all laws have been conceived as neutral in terms of sex. The only exception are laws that reflect a need for increased protection for women due to their biological and physiological and also social (motherhood) characteristics, in labour or criminal law for example. For that reason the equal status of men and women in the Czech Republic is currently taken for granted as part of civic equality and as a fundamental human right guaranteed by the Constitution. These circumstances, along with the fact that communism made the equal status of men and women part of its official ideology, had until recently made a more active assertion of the specific interests and needs of women unnecessary.

The Czech Republic's democratic traditions mean that in principle there are no formal cultural and social obstacles to women's participation in the economy and politics and to women having an equal status in the family. Women make use of their equal right to education, to access to financial capital, to association, passive and active voting right etc. The persisting low participation of women in political and social life and the lower representation of women in top decision-making positions in the economy are the consequence of enduring stereotypes in the view of women's and men's roles in the family and public life.

The legal basis of the equal status of men and women has been guaranteed in the Czech Republic since 1991 mainly by constitutional law no. 23/1991, which introduces the Charter of Fundamental Rights and Freedoms. Until Czech law did not contain any specific laws that would expressly ban discrimination against women in specific cases or deal with a difference in their status (e.g. violence against women, discriminatory job advertisements). In theory, laws applicable equally to men and women can usually be applied to most such cases. Ratified international treaties that are part of Czech law also have the validity of laws (e.g. International Labour Organisation Treaty no. 100 under act no. 450/1990).

But in the Czech Republic, as elsewhere, the almost absolute equality of the sexes *de jure* does not mean *de facto* equality, especially in the economic area, in the division of labour in the family and in public involvement. As in other countries, legal guarantees of equality do not in themselves mean an actual guarantee of non-discriminatory treatment and the assertion of legitimate rights. For example, although the labour regulations formally stipulate equal chances for men and women, they do not provide sufficient protection from violation of the sexual discrimination ban, unlike EU norms. They merely give a small chance of demanding redress and sanctioning the accused.

After the fall of the communist regime there was not enough political will in the Czech Republic to use positive action tools, paradoxically in connection with the liberalising tendencies (but also because the past regime used it for its own benefit). Today it is different, as the practical application of equality is being complicated by the changes on the labour market, the development of the less easily controlled private sector, the greater difficulty families have keeping up their standard of living and the elimination of the paternalistic concept of social protection, in other words everything that creates pressure for increased activity and exertion of both women and men. For women, however, this is intensified by the conflict between family and professional roles.

Ways to legislate and to set up institutions to ensure that the principle of equal opportunities is applied are currently being discussed in the context of the Czech Republic's planned accession to the EU. An official comparison of the laws in terms of the application of the equal opportunities principles took place at the end of 1998 in the European Commission.

The requirements for implementing EU laws into the Czech legal order, specifically the goals of the directives and recommendations on the equal status of men and women, are undergoing expert analysis, whose first results are being worked into amendments of the laws and regulations. This affects the act on employment, the labour code, the collective bargaining act and acts on wages and pay. An amendment of the civil court rules of procedure is being prepared (from the point of view of measures against discrimination,

Equality in law of men and women is not in itself sufficient protection against discrimination

The preparation for the Czech Republic's entry to the EU has increased interest in equal opportunities for men and women

not just against women, an important aspect is the transfer of the burden of proof to the party in breach of the equal treatment principle). Additionally, the possibility of creating a special “anti-discrimination” act on the equality of the sexes (including a definition, hitherto lacking in the Czech legal system, of the concepts of direct and indirect discrimination and procedures that can be used to further equality in practice) is under consideration at present.

At the end of this year the Czech Republic is to join the fourth medium-term Community Action Programme of the European Community concerning equal opportunities for women and men, which deals with what is called mainstreaming. The key government documents that are already based on the requirements of this programme are the government April resolution “Priorities and Procedures of the Government in Furthering Equal Opportunities for Men and Women ” and its update in the “Summary Report on the Fulfilment of Priorities in Furthering Equality of Men and Women”, approved by the government in May 1999. A set of institutions necessary for implementing national plans and commitments to international institutions in this field is gradually being built up.

5.2. M a i n a r e a s o f d i f f e r e n c e s i n t h e s t a t u s o f m e n a n d w o m e n

Despite the formal equality in law, women participate much less than men in public life and in political functions in particular. Their level of participation is out of line with the situation in a number of European states and with the wishes expressed in public opinion surveys. Women are only minimally represented in senior positions of the executive organs (there have been just four women in the four Czechoslovak and Czech governments since 1990); their representation increases in the lower functions. In legislative organs it is the same. Women’s share of positions in municipal, urban, district and local representative bodies is one-fifth. The representation of women in the judiciary is balanced at around one half. Here, too, there is a slight reduction as the position gets more senior, but the post of supreme state prosecutor is held by a woman, for example.

**Women do not
participate enough
in political and social
life**

Table III/12 Women in representative bodies by election year

Year	Body	Number of women	Number of men	Proportion of women in %
1981	National Assembly	58	142	28.0
1990	Parliament	22	178	11.0
	Municipal, urban, district and local representative bodies	11 612	57 971	16.7
1992	Parliament	19	181	9.5
1994	Municipal, urban, district and local representative bodies	11 100	51 060	17.9
1996	Chamber of Deputies	30	170	15.0
	Senate	9	72	11.1
1998	Chamber of Deputies	40	160	20.0
	Senate (elections in 27 of the 81 wards)	3	24	11.1
	Municipal, urban, district and local representative bodies	12 785	49 627	20.5

Source: Parliament of the Czech Republic

Immediately after 1989 democracy brought a revival of socio-political life, which also led to women being more active and participating in politics. This declined in subsequent years, partly due to the transfer of women's public participation to a local or regional level. A factor in this was the creation of the right conditions for the emergence of non-governmental organisations, citizens' and charitable associations and the growing civic consciousness. This is the main direction that the slightly increasing awareness of the specifically female contribution to public life is taking, whilst the awareness of "general women's themes" remains marginal. Women's inclination to be active more in dealing with practical problems diminishes their interest in involvement in high politics. At the same time, women's declared desire to participate is in practice diminished by their burden of work and family functions. A representative survey of people of economically active age showed that 2% of women and 5% of men are members of political parties. The figures for membership in trade unions are 25% and 21% respectively, membership in municipal local administrations 3% and 8%. 18% of women and 34% of men are members of special-interest organisations. Women have less clear-cut political attitudes: 62% declare their political orientation to be central, compared to 49% of men.

The high level of women's economic activity in previous decades has been preserved in the Czech Republic in the nineties. Although it fell slightly after 1989, it has held at around 52% in recent years. It is highest in the 40–49 age cohort, where it exceeds 90%. The decrease can be attributed to a decrease in the number of working female pensioners (the same applies to male pensioners) and a decrease in employment levels for young women – a greater share of them are students (this is also true for men), and maternity leave has been extended for mothers. Employment levels for women have recently been influenced by the overall rise in unemployment. The number of housewives is also rising, albeit weakly.

**Women's
employment remains
at a high level**

■ **Table III/13 Level of economic activity by sex and age cohort in 1999**

Sex	Total	Age group				
		15–24	25–49	50–54	55–59	60+
Men	70.6	54.7	96.1	89.9	76.3	13.1
Women	52.0	41.9	82.0	81.4	32.7	5.5

Source: ČSÚ (1999) Trh práce v České republice

Even though there has in recent years been considerable progress in balancing the conditions for employment for men and women, in many aspects inequalities persist, not always justified by physiological and psychological differences. The socio-cultural division of labour between men and women complicates the assertion of legally and morally recognised rights of women (and men) in practical life. The fact that issues of the status of women at work and on the labour market are not the subject of broad interest in the Czech Republic, as they are in developed countries, is out of line with the real extent of gender division on the labour market. The aforementioned amendment of the labour code, the act on employment and the act on remuneration are sure to bring changes.

Table III/14 Comparison of the structure of employment of men and women and its relation to educational structure

Employment category	Proportion of women in %	Relative numbers in %		Average level of education*	
		women	men	women	men
Legislators, managers and directors	22.2	3.7	9.1	5.6	6.2
Scientific and specialist non-manual workers	53.9	12.2	8.1	7.0	7.2
Technicians, healthcare workers and teachers etc	54.4	22.3	14.9	5.7	5.7
Lower administrative workers – clerks	80.3	15.1	2.9	4.9	5.2
Retail staff in services and trade	68.7	18.5	7.2	2.7	3.8
Qualified labourers in agriculture and forestry etc.	49.2	2.4	2.1	2.2	2.8
Craftsmen and qualified manufacturers, processors, repairers	15.4	7.4	32.1	2.2	2.6
Operators of machinery and plant	25.0	6.7	17.2	2.0	2.5
Ancillary and unqualified workers	60.1	11.8	6.4	1.8	2.1
Total	69.9	100.0	100.0	3.9	3.8

Source: ČSÚ (1999) Statistická ročenka '98; ČSÚ (1998) Mikrocensus 1996

*According to a nine-point scale of education, where 1 = elementary and 9 = full scientific education

The problems currently faced by women on the labour market are partly the consequence of gender segregation on the labour market (see table III/14) and are partly brought about by the restructuring of the Czech economy. There is a rising demand for constant improvement of qualification levels, which is more difficult for women, and for greater work mobility. The interruption of a career to care for a child makes it harder for women to compete on the labour market than before. Women's employment is becoming more dependent on age, family status and education [note 21] and their interrelation. Nevertheless, the economic changes are not reflected equally in women's levels of employment in different branches. It depends on the proportion of employed women, on the nature of the branch in terms of the rise, constancy or fall of total employment and also on qualification requirements.

Women in the Czech Republic have been individually successful in highly qualified professions and in private enterprise. The intensity of women's private enterprise can be viewed as one of the indicators of the benefit that the changes after 1989 have brought them. At the start of 1999 the proportion of the independently gainfully active among employed women had reached 6.6% doing business without employees and 2.2% doing business with employees (for men, however, the figures are 12.2% and 5.8% respectively). The relative numbers of women carrying on business have therefore risen by 3.3 percentage points in the years 1993 to 1999. Yet women's interest in doing business is still lower than men's. Sociological research shows that the proportion of women considering it is generally

around half that of men [note 22]. Women do not declare greater difficulties in business or worse conditions for doing business than men. Neither the law nor the principles on which credit is provided actually formally allow for discrimination according to sex, and differences can arise only as secondary consequences of the socio-professional structure and different position of women on the labour market.

Until recently, total unemployment levels for women did not attain the grave proportions originally expected in the Czech Republic. Their position on the labour market is differentiated, however, and is currently deteriorating. As in most countries, women's unemployment is over the long term greater than that of men. The proportion of women among job seekers registered at labour offices has fallen from its record 60% in September 1996 to 53% in July 1999, however. At relatively low levels of unemployment, women's unemployment did not rise above 5% in the mid-nineties, but in September 1999 it rose to 10.9% (7.4% for men).

The government responded to the rise in unemployment by drawing up a National Employment Plan (approved in May 1999), which includes measures to create equal opportunities for men and women on the labour market.

The rise in unemployment can deepen further the differences in success on the labour market between men and women

Table III/15 Specific unemployment rates of women by education

Education	Period					
	1993	1994	1995	1996	1997	1998
Elementary and uneducated	8.7	8.4	9.6	9.9	12.1	15.0
Apprenticed	5.9	5.6	5.1	4.8	6.1	8.9
Secondary technical	5.6	5.5	5.1	4.4	6.1	8.9
Apprenticeship with matriculation	7.3	7.0	2.7	3.5	5.4	9.6
Full secondary technical	3.7	3.7	2.8	3.0	4.2	6.2
Full secondary comprehensive	4.8	5.1	4.0	3.4	4.8	7.9
University	2.2	1.8	1.9	1.4	2.2	2.9
Total	5.4	5.2	4.8	4.7	5.9	8.2

Source: ČSÚ (1999) Trh práce v České republice

Women more often leave the labour market for personal or family reasons (22% compared to 13% in men). But men and women are equally likely to lose their employment. Dismissal is the reason for 34% of women's departures from employment, or for 39% in the case of men [Zaměstnanost a nezaměstnanost 1999]. Although both women and men with lower levels of education and of more advanced age are more likely to be at risk from unemployment, gender differences are reflected in the case of women. The younger, albeit more educated generation of women tends to have problems with returning to employment after maternity leave, especially if their qualification no longer

meets the demand on the labour market. That has recently also been affecting both men and women leaving certain types of school. Compared to men, women's chances of succeeding on the labour market is reduced by caring for members of the family [Sirovátka 1996: 31–32], which relatively (often only seemingly) reduces the importance of other handicaps, such as the absence of professional experience [note 23] and membership of the Roma ethnic group. Women are more at risk if they are single mothers, if they are caring for small children or if they have a physical handicap. Negative factors more often accumulate in the case of women in the countryside.

The low level of representation of women in management functions is an area where gender differences are highly visible, in conflict with the equilibrium in levels of education and formal equality of men and women. Women's participation in management is essentially unchanged from the situation before 1989 [note 24]. One serious finding [VÚPSV data] is that unbalanced ratios also exist in individual education groups, including graduates. 58% of women graduates do not hold a managerial function, compared to just 39% of men (overall, 85% of women do not participate in decision-making, compared to 62% of men). At the same time, women's promotion is more dependent on education.

The inequalities in participation in decision-making are already visible in the different paths taken by men and women to reach higher work positions. As well as subjective barriers, reflected in the lower aspirations of women, this state of affairs is partly caused by their dual role (e.g. interrupting a career, lower performance or motivation due to caring for a child or other member of the family). Another factor is the preference for men as managers by almost half the employed population [note 25]. Women, even when they possess similar prerequisites as men (objectively and subjectively) are more likely to be in middle management. It is not just that this means that women thereby lose one of the preconditions of higher social rank and prestige, the absence of women in decision-making structures has an impact in a broader social context.

The average differences in the remuneration of women and men have for a long time been high, yet comparable to EU countries. Even so, it is rightly one of the most criticised gender differences. They fell at the start of this decade, but in recent years this trend has been reversed [see table III/E in the appendix]. Whilst the greater value derived from education and the changes in the professional structure of the female economically active population were a factor in the reduction of inequalities, the reversal was partly caused by the worsening position of women on the labour market and the constantly lower chances women have for attaining higher positions (particularly in the highest, ever better rewarded and ever more demanding positions). Women today attain 72% of men's earnings on average.

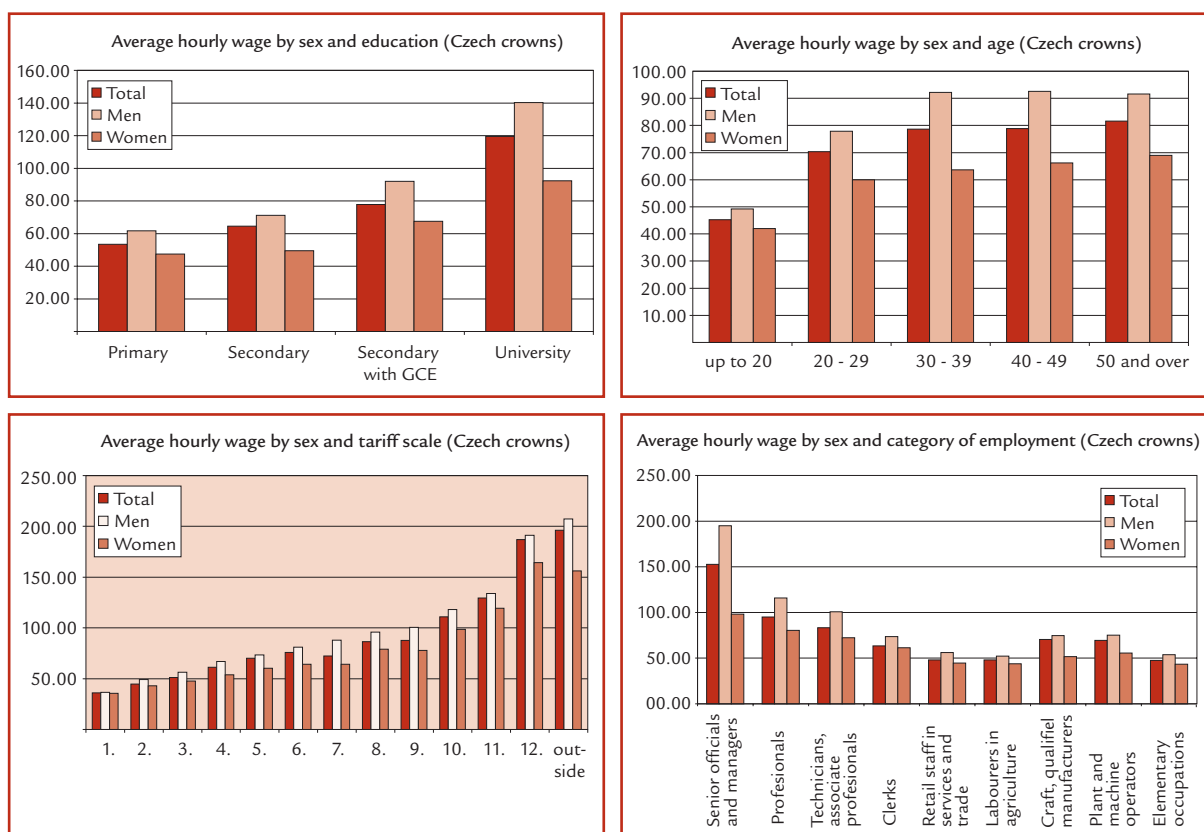
Women's small role in management in the economic area – a reflection of lower aspirations and public prejudice

Income disparity for men and women is long-term but also, due to many factors, variable

Yet this average indicator conceals a high degree of variability resulting from a whole series of factors, whose effects combine and conflict [table III/F in the appendix and graph III/2]. In order to detect true inequalities these factors must be broken down, which is very difficult. The most evident factors include inequalities by ownership sector (in state-run firms women earn more than 80% of what men earn, whereas in foreign firms just less than 60%).

The curve depicting the rise in men's and women's earnings by age, education and employment category are fairly similar (the most marked similarity is in the structure by tariff levels, which thus operate as a tool to install equality in the remuneration of men and women). The fundamental difference is that the male average is set almost 30% higher than for women. The biggest differences in incomes in the 30-39 age group (women earn just 69% of what men earn) indicate the influence of interrupting a career for motherhood and the often hard return to work after maternity leave. During this time men gain an advantage which women try to catch up right up the end of their career and which they never fully succeed in balancing out. The overall bracket of average wages is smaller for women than men due to differences in the highest earnings (the difference in lowest earnings is not so pronounced). The greater influence of education on wage inequalities in the case of men is confirmed by data from 1999. For women the financial effect of higher education is lower, despite its greater role in their career growth.

■ Graph III/3



Source: Trexima

Despite the relatively large differences in the remuneration of women and men, it is not possible to demonstrate to what extent this involves discrimination in the sense that gender is the source of the inequality. That would require gathering a sufficient number of individual cases of demonstrable discrimination or applying verified criteria for assessing equal remuneration for work of equal value. The differences found in remuneration can to a large extent be explained by objective factors, i.e. differences in qualification, job placement and the interruption of a career for maternity leave. The contingent subjective factors (an unwillingness to reward equally men's and women's work of equal value) are hard to prove. Women suffer from the fact that their work career is placed under greater strain by their parental duties. Women also often pay for the fact that this circumstance is widely accepted (more or less consciously) and influences their professional and educational aspirations.

In education, both the Ministry of Education's statistics and the results of surveys indicate equal conditions for men and women. In the secondary education age group (15–18), the proportion of women amongst those studying is basically determined by their representation in the population – 49% of this age group are girls, at secondary schools 51%. Differences are found in their representation by types of schools and fields: 59% of those studying at grammar-type schools are girls, as are 58% of those involved in secondary-school technical study (chiefly in medical fields, with 97% women, teaching with 94% and economic-administrative with approximately 80%), whereas in apprenticeship facilities just 39% of students are women. A large proportion of women achieve post-secondary education at higher professional schools, where 69% of all students are women.

Fewer women study at university than would correspond to their proportion of the dominant age group of 19–24 (49% of the population, 45% of students), even though more women apply than men. The success rate for application to university study is on average one-third for men and one-fifth for women; they are the same, however, in four of the nine groups of fields (technical, agricultural, economic and teaching). In the context of university education too, women are most interested in the social sciences (in total 61% of social sciences students are women, in philology 81%, in teaching 74%) and medicine (66%). Just 24% of women study technical fields (linked to the differences in professional orientation at secondary schools); of that number just 7% study machine engineering and electrical mechanics. The proportion of women among university graduates has risen from 52% to 62% in the years 1996–1999. Women more frequently finish their studies with a bachelors degree, men with a masters.

**The educational paths
of men and women
differ**

In the VÚPSV survey from 1998 41% of both men and women stated that they had achieved the level of education they had planned to. 38% of women and 30% of men failed to achieve their target (the others did not have specific plans). An almost identical proportion of men and women attained some form of further education [see part III.5.2]. Differences were not found between the sexes in the way the level and field of attained education is used. Two-thirds of both men and women work in their field or a related field and the level of education corresponds to the required qualification in roughly three-quarters of both sexes. Approximately one-tenth of men and women do not make use of their education. The high proportion working in its field has been made possible by the demands on labour flexibility that are as yet small and thus are favourable for women.

These findings tell of the relative stability of equal conditions, but different educational and professional paths of women and men in conditions of a gender-segregated labour market [Čermáková 1995] and also of the stereotypical way men and women view their professional careers. Part of today's young generation is slowly discarding these stereotypes, however, as shown by findings on their attitudes and professional aspirations.

Gender differences represent a specific dimension of social differences. Despite the persistent inequalities, however, the role of gender as a source of differentiation is, in many respects, gradually diminishing. Women are pursuing their growing professional ambitions, and new legal conditions have been created to ensure men's greater share in work in the family. There is a greater awareness of equal opportunity issues in society. The new social conditions have opened up room for both men and women to truly be successful through their own endeavour, but also place new demands on them. They can make use of their opportunities on the assumption that all of society realises what the real substance of the concept of equal opportunities for men and women, divested of all prejudice and inappropriate expectations, means for society and all its members.

Notes:

1. These terms describe the preconditions of economic behaviour that have now been acquired or were achieved in previous years (e.g. family background, education, social contacts, financial capital).
2. Natural decline of 2.1 per 1000 inhabitants in 1997, compared to 6.9 in Bulgaria, 4.6 in Belorussia and 3.8 in Hungary, for example.
3. The long-term better indicators of mortality in suckling infants and new-born babies have also fallen; mortality in suckling babies has fallen to 5.9 deaths per 1000 live births in 1997. This indicator ranks the Czech Republic among developed European countries.
4. These express the proportion of single men or women who would get married before the age of 50 on the assumption that the probabilities for getting married according to the gross nuptiality tables for a given year stabilise

5. This indicator takes into account the initial marriage cohorts and the duration of marriage and states how many of the marriages ended in divorce
6. There is no doubt that factors persisting from the past regime still operate and indirectly support (housing policy, declared morality etc.) legal marriages and fertility in marriage. Although social support gave advantages to one – parent families, public opinion was more tolerant of divorce than single motherhood.
7. Internal migration statistics are based on the duty of citizens to register with the police at their place of permanent residence. These statistics therefore show changes in places of permanent residence. Temporary residence is not statistically monitored. Internal migration statistics are not an entirely accurate picture of migration, as a number of temporary residences are actually long-term or even permanent.
8. The form that serves to register the population and to monitor internal migration also includes the reason for moving. Unlike the other data, this is not an objective circumstance but a subjective attitude. Citizens are not obliged to express their attitude and so false reasons are also given very often.
9. The records of foreigners in the Czech Republic are regulated by act no. 123/1992 Digest. According to the existing law foreigners can receive permission for short-term residence (no more than 180 days), long-term residence tied to the demonstrated purpose of the stay – study, business, employment etc. – (no more than one year) and unrestricted long-term residence, mainly granted in order to reunite families. The foreign migration figures include immigrants granted permanent residence in the Czech Republic. The actual balance and increases are in reality lower, as not all emigrants are registered.
10. Under an intergovernmental agreement Slovak citizens work in the Czech Republic without a work permit and do not need long-term residence for their economic activities. They are registered by the labour offices, however.
11. Data as of 31. 12. 1998.
12. The matter of refugees is regulated by act no. 498/1990 Digest. Foreigners granted the status of refugee are placed in an integration programme designed to create the right conditions for successful integration (housing, acceptance of refugees by the local authorities and citizens). People granted refugee status have the same status as Czech state citizens, with a few exceptions (affecting suffrage, military duty, performing gainful activity and acquiring real estate).
13. In this text, the terms class and stratum are sometimes used interchangeably to denote basic groupings in the social structure. We are making use (as many others have) of a certain simplification here, since we do not wish to complicate the text with ongoing disputes as to the differentiation and precise theoretical and operational definition of these (partially overlapping) terms. In the sociological literature, the term stratum refers more to a hierarchical arrangement (most often characterized by differences in education, professional status, power status, income and property, and lifestyle), while the term class has a relatively wider meaning, encompassing both vertical and horizontal differentiation, and referring to larger social units (defined mainly by their property and power status).
The term middle class (classes, strata) denotes a broad category of people, mostly defined by a combination of several basic features – private enterprise, higher (usually college-level) professional education, work (even manual labour) requiring a high level of qualifications, and middle income and property level.
14. In 1930 they formed 35% of the population [Večerník 1997:266]; a similar proportion can be deduced from P. Machonin's data [Krejčí, Machonin 1996:116], according to which 7.7% of the economically active population were large and medium-sized businessmen, 23.6% other businessmen, and 15.3% non-manual workers.
15. Based on sociological sample surveys they state [Matějů, Kreidl 1999:277] that in 1991 the variation coefficient of average net income was 48%, in 1997 85%, in 1999 it fell to 63%, which the authors state is due to the unwillingness of those surveyed with top incomes to declare their true size.
16. These aspects' indicators take on variants that are diverse and generally hard to measure, and so they are not usually scrutinised in research and even less in statistics.
17. This is the EGP classification used as a standard tool for comparing social structures (originally proposed in an article [Erikson R., Goldthorpe J.H., Portocarero L., 1979, in the British Journal of Sociology 30: 415–441]). These categories are: higher professionals, lower professionals, routine non-manual workers, self-employed with employees, self-employed without employees, foremen, skilled workers, semi-skilled and unskilled workers, agricultural labourers.
18. The term social status expresses the position of an individual in the hierarchical structure of a society, and is usually described in terms of the level of education he has achieved, his employment, income, role in decision-making, property and lifestyle.
19. In post-communist societies this designation is somewhat confusing, as in these societies it is the part that is described as the old middle class that is forming.

20. In the years 1918–1992 the Czech Republic was part of the Czechoslovak state (with the exception of the world war period). On 1. 1. 1993 two independent republics were formed, the Czech Republic and the Slovak Republic. The declaration of independence of the Czechoslovak Republic from 18. 10. 1918 states: “Women will enjoy a political, social and cultural status equal to that of men”; the constitutional document from 1920 contains paragraph 106 “Privileges based on sex, family and occupation are not recognised”.
21. The level of economic activity of women by education is 22.9% for elementary education, 68.4% for apprenticeship, 70.7% for women with full secondary education and 78.5% of women with university education.
22. According to VÚPSV data, 7% of men and 3% of women are preparing to do business, and 44% of men and 23% of women are considering it. How seriously they were considering it is not known, however. In women more than men this is more common for the better educated.
23. This substantially influences professional placement in vertical terms, however (exercise of the most demanding functions or management functions).
24. According to research by the Sociological Institute of the Academy of Sciences of the Czech Republic called “Transformation and Modernisation”, 90% of women and 79% of men had no subordinates in 1988 and 86% and 72% in 1995; in these years 7% and 10% of men as well as 2% and 3% of women had more than 10 subordinates.
25. Although in public opinion surveys 43% of the population would prefer their superior to be a man (36% of women and 50% of men), roughly the same proportion of people does not regard this criterion as important (45% in total, more women than men – 47% compared to 42%). From: Men and Women in Management Functions, IVVM information no. 96-10, November 1996.

IV. THE STATUS AND ROLE OF LABOUR IN SOCIETY



The Czech Republic's population before 1989 was greater than 10 million, which placed the country in the second size category of European states. In the period before 1989 the Czech Republic was a developed industrial and agricultural state, also with a large proportion of heavy industry. The consumer goods production industry was of average standard and the service sector was completely neglected.

Historical development and further expansion of industry meant that for a long time the Czech Republic enjoyed high overemployment. The domestic workforce could not fill all the jobs that were created, sometimes not even in the first shift. The country was dependent on international division of labour. A different state of affairs came about after 1989. Major structural changes proved to be necessary in the new social system. These were not just changes of ownership, but rather major changes in the structure of entire sectors of the economy. At the same time it was necessary to improve technical standard, quality and design of products to make them competitive on tough international markets. This approach was also necessitated by the total collapse of markets in former socialist countries at the time. These Soviet-bloc states were those that had previously been able to absorb the majority of Czechoslovak products, which were often of poor quality.

Ecology was also a factor in structural changes. This area had long been neglected and tackling the country's ecological problems could not be put off any longer. The country was bound to resolve its ecological problems by a whole series of international treaties and agreements.

The ownership changes and extensive restructuring of the economy could not pass off without a decline in gross domestic product and the impact that had on employment. In a relatively short period of time the Czech Republic was therefore introduced to unemployment, a phenomenon that until then had been officially unknown or by-passed for political reasons.

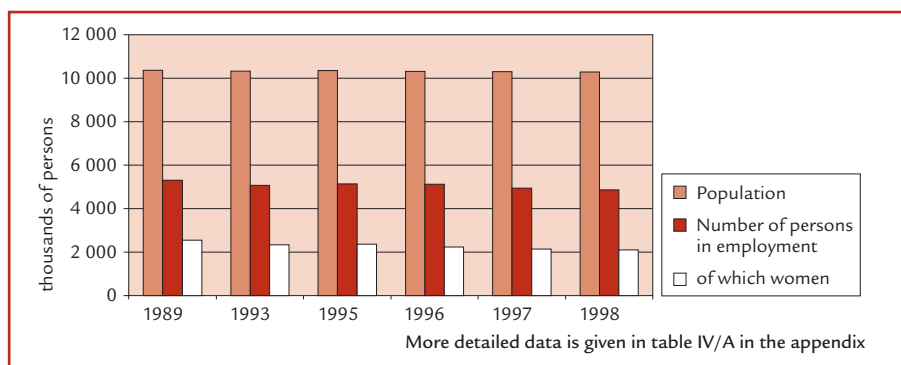
1. Development of employment

1.1. Nature of the labour market, state and development

The population of the Czech Republic has been falling throughout the period under scrutiny. This has practically not been reflected in the balance of the workforce, however, as the proportion of the population of productive age grew slightly from 1993 to 1998. At the same time there was a slight fall in the number of employed people of post-productive age. On balance the workforce in the Czech Republic was growing slowly. In 1993 the total number of people of productive age and working people of post-productive age was 6.398 million people; five years later it was 6.629 million, an increase of 3.6%. The number of people of productive age, i.e. citizens who form the basis of the state's labour potential, has been high throughout the nineties in the Czech Republic.

**Favourable
development of
employment in the
nineties**

■ Graph IV/1 Labour recouses



Sources: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice;
MPSV (1995–1998) Statistická ročenka trhu práce

The total number of economically active people (people in employment and the registered unemployed) fluctuated slightly in the period from 1993–1998 (from 5.272 to 5.201 million). In the last of these years there was a noticeable decline, when the number of economically active people fell by almost fourteen thousand. What is fundamental, however, is that the number of people who have lost their employment has been rising sharply since 1995. The total number of people in employment thus fell from 5.131 million in 1995 to 4.866 million in 1998 (a fall of 5.2%).

The total number of economically inactive people of productive age has been rising constantly since 1993, from 1.126 to 1.428 million in 1998 (a rise of 25.6%). A large proportion of this category are people preparing for work – their number rose by 18.2% (from 622,000 to 735,000). One of the causes of this rise is an increased interest in studying at university. Graduating from a university substantially improves a person's job prospects and at the same time puts off the problem of seeking for a job until a later date.

A smaller group of economically inactive people of productive age consists of people who are inactive for health reasons. Their number rose by 18,000 to a total of 285,000. The fastest rise in the number of economically inactive people of productive age came in the "miscellaneous" category, i.e. people who are economically inactive for various reasons. Their number rose sharply, especially in 1996 (from 236,000 in 1993 to 415,000). Subsequently there was a slight decline in this category (a fall of 10,000).

1.2. Development of employment in the period from 1993 to 1998

In the beginning of the nineties the overall number of people in employment rose. This culminated in 1995, when the rate of economic activity, calculated as the ratio between employed people and unemployed people to the number of people over the age of 15, reached 63% (70.6% in

men, 56.0% in women). Since 1996 the number of people in employment has fallen by approximately 260,000. The average number of people in employment in all spheres of the national economy thus came to 47.3% of the population of the state in 1998.

The socio-economic transformation after the fall of the totalitarian regime also affected women's employment. Before 1990 Czechoslovakia had one of the highest rates of women's employment in the world. In the period under scrutiny it fell slightly (from 46.2% to 43.3%), moving it closer to the level usual in the majority of western European countries.

Women's employment is falling, pensioners are more economically active

Employment of people with reduced capacity to work has also fallen throughout the period under scrutiny. Between 1993 and 1998 it fell by 41.2% to just 123,000. It is clear that the current development of unemployment means that unless genuinely effective measures are taken, the position of these people on the labour market will continue to worsen.

The number of people with two (or more) jobs has also fallen. In this case the difference between 1993 and 1998 is 33.4%. Development in this category can be divided into two stages. Up to 1995 it rose surprisingly sharply, but since then it has been falling constantly.

The level of employment among people of post-productive age developed somewhat differently. After a large decline in the period from 1990 to 1993, employment in this category has gradually risen (from 4.7% to 5.2% in 1997). In 1998 there was another reversal, when it fell to 5.0%, i.e. by 12,000. In the context of quickly rising unemployment and a worsening situation on the labour market, taking retirement represents a form of financial security that is becoming more and more preferred. The large scale on which early retirement is being taken is today causing debate about whether to alter the retirement conditions, which are currently rather advantageous.

■ **Table IV/1 Employment by status in main employment (thousands of persons)**

	1993		1995	1996	1997	1998	
		%					%
Employee	4 433.2	87.3	4 428.7	4 420.0	4 257.3	4 138.4	85.1
Co-operative member	169.7	3.3	98.0	93.8	74.2	64.5	1.3
Businessman	456.9	9.1	577.4	591.1	592.9	640.0	13.1
Assisting family members	16.8	0.3	26.0	21.0	20.3	22.6	0.5
Miscellaneous	0.1	–	0.6	0.0	0.0	0.2	–
Total	5 076.7	100.0	5 130.7	5 125.9	4 944.7	4 865.7	100.0

Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice

A typical feature of the development in the structure of employment by status in main employment is the decline in the category of employees and members of manufacturing cooperatives. This was partially offset by the rise in the number of businessmen (most often small businessmen without employees).

Table IV/1 reveals the development trends at work between 1993 and 1998. In the case of employees, which represents the largest group of economically active people, we can see a fall to 93.4% of the initial figure. In 1998 the number of co-operative members was just 38% of the state in 1993. The number of businessmen, however, rose by 40%. The number of assisting family members also rose (by 34.5%). The changes in the scale of employment in individual categories by status in main employment were accompanied more or less by changes in their relative shares of overall employment: employees fell from 87.3% in 1993 to 85.1% in 1998, co-operative members from 3.3% to 1.3%, businessmen rose from 9.1% to 13.2% and assisting family members rose from 0.3% to 0.5%.

The decline in the number of employees is partially balanced out by the higher number of businessmen

1.3. Movement of workers and organisational structure of employment

■ **Table IV/2 Structure of employment in large organisations by type of ownership ¹⁾ (thousands of persons)**

	1995	1996	1997	1998
Total number of employees in large organisations	3 125.5	3 029.8	3 465.6	3 354.8
Of which:				
State organisations	1 133.7	925.9	869.7	813.3
Co-operative organisations	186.4	161.5	165.3	144.4
Private organisations	830.9	767.2	1 349.8	1 297.3
Communal organisations	175.5	185.8	180.5	183.5
Miscellaneous	799.0	989.4	900.3	916.3

¹⁾ "large economic subjects" up to 1996 over 25 employees, from 1997 on over 20 employees
Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice

Table IV/2 might give the impression that the sharp fall in employment overall since 1995 has not been accompanied by a fall in employment in large organisations. Yet the increase in 1997 is caused by a change in the statistical methodology. From that year onwards business entities with 20 and more employees are regarded as large organisations (previously it had been 25 employees and more). In 1993 employment in large organisations accounted for 62.1% of total employment; in 1996 the figure was 59.1% even. The jump in 1997 to 70% is caused by the methodological change mentioned above. The continuing shift in employment towards smaller organisations is

A shift is taking place in employment away from large firms towards smaller firms

confirmed by the figures for 1998 as well, however, when there was another fall (to 68.9%).

The same applies for the way the proportion of people employed in large private organisations has developed. In 1993 employment in large private organisations made up 16% of total employment, in 1996 14.9%. In 1997, after the change in the criterion, it jumped to 27.3%, but in 1998 it fell again, albeit to just 26.7%.

The proportion of employees in co-operative organisations of this size has also fallen – from 3.9% in 1993 to just under 3% in 1998. The proportion of employees in communal enterprises climbed slightly until 1996, after which it has fallen very slightly. In representing 3.8% of total employment in 1998 it thus exceeded the proportion of employees in co-operative organisations. The change to the statistical criterion has not particularly affected the figures for co-operatives, communal organisations and miscellaneous organisations, as most of these entities have a small number of employees. That is what made the paradoxical development in the “miscellaneous employers” category possible, i.e. social, international, foreign and mixed organisations: the number of people employed in this category rose to a significant 991,400 (19.3% of total employment) in 1996, but in 1997 it fell by 9.2% (accounting for 18.2% of total employment).

The developments depicted in table IV/2 therefore only apparently make the often stated or assumed shift in employment from large companies relative. This trend does exist and affects basically the entire economic structure. The fall – not too pronounced, but a fall nonetheless – in the proportion of overall employment accounted for by large organisations in 1998 confirms this tendency. We can only speculate whether future developments will continue confirm these trends. The continuous rise in the number of small organisations and in employment in them throughout the period from 1993 to 1998 suggests these trends will persist.

1.4. S e c t o r a n d b r a n c h s t r u c t u r e o f e m p l o y m e n t

■ Table IV/3 Sector structure of employment (thousands of persons)

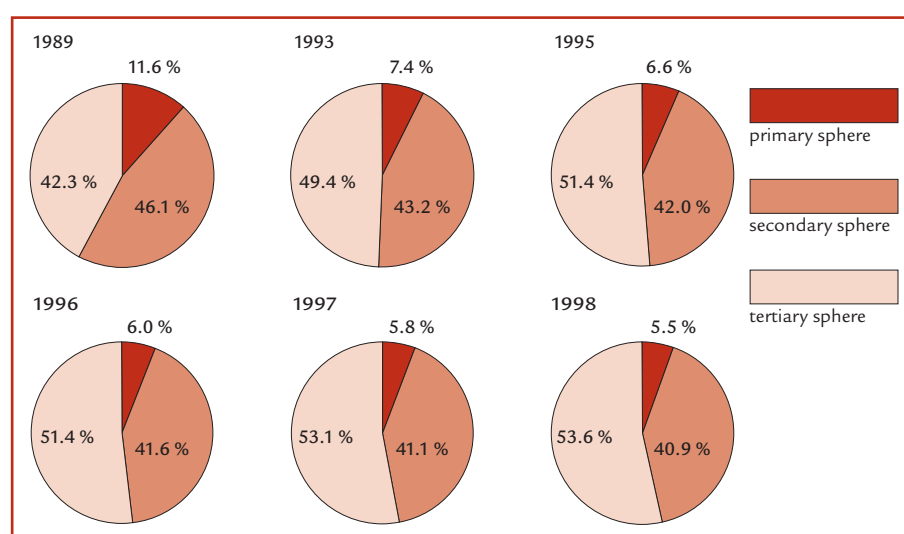
	1989	1993	1995	1996	1997	1998
Total	5 309	5 076.7	5 130.7	5 125.9	4 944.7	4 865.7
Primary sector	617	376.0	338.9	304.5	281.6	266.9
Secondary sector	2 446	2 193.0	2 154.6	2 133.5	2 028.2	1 992.0
Of which:						
Industry	2 053	1 797.0	1 683.9	1 661.3	1 535.9	1 519.9
Construction	393	396.0	470.7	472.2	492.3	472.1
Tertiary sector	2 246	2 507.7	2 637.2	2 687.9	2 634.9	2 606.8

Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice

Employment levels in individual sectors changed throughout the 1993–1998 period. The proportion of people employed in the primary sphere fell (from 7.4% to 5.5%). The same happened in the larger, secondary sphere, but to a lesser degree – employment fell from 43.2% to 40.9%. The fall in the primary and secondary spheres was naturally accompanied by an increase in the size of the tertiary sphere (from 49.4% to 53.6%). Although the changes in the structure of employment by sector are slight, they are permanent. If they have been marked by the considerable problems that the Czech economy has recently been encountering, then it the dynamics of the trends and not the character that has been affected.

Employment in the tertiary sphere has risen above 50%

■ **Graph IV/2 Sector structure of employment in % in 1989, 1993, 1995-1998**



Sources: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice;
MPSV (1995–1998) Statistická ročenka trhu práce

A comparison of the data of 1989 and of 1998 makes it even clearer that at least in terms of sector structure the Czech Republic's economy has come much closer to the profile of the modern economies of developed western European countries. Table IV/3, which we base our evaluation on, understandably reflects global trends as well. Various, often conflicting movements have been and are taking place within the individual sectors. For example, the forestry and fishery branch, part of the declining primary sector, experienced growth. In the tertiary sphere, the boom in finance and insurance at the start of the period under scrutiny slowly came up against the limits of rationality and necessary effectiveness. Despite the declared intent of cutting down bureaucracy in public administration, this sphere has so far been growing. The recent changes in sector structure also confirm the expected shift in employment away from the primary and secondary spheres towards the tertiary sphere. At a time when economic growth is at its lowest level mainly because of the sales difficulties of large firms, it is the third sector that provides the most opportunities for small and medium-sized business, particularly in services.

1.5. Q u a l i f i c a t i o n s t r u c t u r e o f e m p l o y m e n t

■ **Table IV/4 Qualification structure of the population in % (people older than 15)**

	1993	1995	1996	1997	1998
Elementary	26.8	26.1	25.0	24.6	23.9
Secondary apprenticeship	32.9	33.5	34.4	34.3	33.8
Secondary technical	6.0	5.5	5.4	5.2	5.5
Apprenticeship with matriculation	1.1	0.9	0.9	1.1	1.4
Full secondary technical	21.1	21.4	21.9	22.2	22.8
Full secondary comprehensive	4.6	4.7	4.7	4.7	4.7
University	7.5	7.9	7.7	7.9	7.9
Total	100.0	100.0	100.0	100.0	100.0

Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice;

Increasing and changing demands on qualification and education raise the question whether the population's qualification structure matches to the needs and demands of economic practice. Lifelong employment is a matter of the past in most fields and a need to change – often fundamentally – jobs several times during life is becoming commonplace. That increases the importance of higher, broader education that tends to make people more flexible and better able to adapt to new requirements, which is a key to success on the labour market.

■ **Table IV/5 Qualification structure of employees in %**

	1993	1995	1996	1997	1998
Elementary	12.1	11.5	10.7	9.8	9.5
Apprenticeship	39.8	40.0	40.8	41.0	40.1
Secondary technical	6.1	5.4	5.3	5.0	5.6
Apprenticeship with matriculation	1.4	1.2	1.3	1.6	1.8
Full secondary technical	26.4	26.9	26.9	27.5	28.2
Full secondary comprehensive	4.0	4.2	4.3	4.1	3.9
University	10.2	10.8	10.7	11.0	10.9
Total	100.0	100.0	100.0	100.0	100.0

Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice;
MPSV (1995–1998) Statistická ročenka trhu práce

The standard of education and qualification among the Czech Republic's population has traditionally been high, but the structure of education is somewhat rigid. Because the qualification structure of people in employment is marked by considerable stability – even though the proportion of the lowest, i.e. elementary, education is in fact falling slightly –

the indicated variance is not too pronounced yet. Needless to say, this stability does not mean that there is no inordinate nor modish concentration on a particular field during secondary school education resulting in further imbalances in qualification on the labour market. In any case, the changing demands on education and qualification structure will have to be better dealt with in future.

1.6. P r e d i c t e d d e v e l o p m e n t s i n e m p l o y m e n t

Employment in the Czech Republic in the coming years will be determined chiefly by birth rates of the previous twenty years. Other influences will be an increasing of the retirement age and last but not least improving standard of healthcare, which contributes to the overall lengthening of human life.

Chapter III contains detailed information on demographic changes that have taken place in society during the past decade, so we will not repeat it at this place. The described changes make it possible to make a very precise estimate of the future situation. There will be no major changes in employment in the next ten years. A change must come at the end of the first decade of the 21st century, when we can even expect a beginning of a gradual population crisis. After 2010 the first, unusually weak generation born in the nineties, which will continue to weaken the birth rate, will enter productive age. This fact must be reflected in undesirable developments in employment.

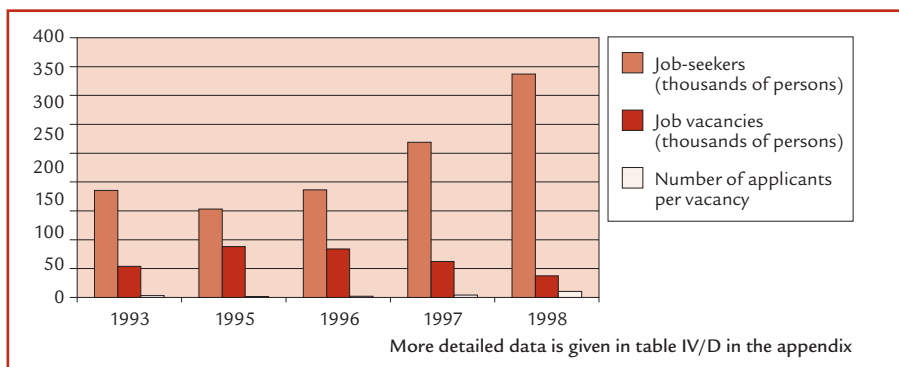
Relatively soon the ratio between the population of productive age and of non-productive age will get much worse. The increase of life spans will grow faster than the lengthening of in productive age. In twenty-year-time there will be one pensioner for every two workers. There is no instant solution within the state to this population development, but it can be mitigated by an appropriate migration policy, as is the case of the surrounding developed states. But for this to be successful there must be a timely awareness campaign that will explain the need in all economic and social contexts and will curb the increasing xenophobia in this country.

**A population crisis
after 2010?**

2. Development of unemployment

2.1. Total unemployment in the period under scrutiny

■ Graph IV/3 Job-seekers, job vacancies. number of applicants per vacancy



Source: MPSV (1995–1998) Statistická ročenka trhu práce

Unemployment in the Czech Republic in the nineties did not move in one direction only. In the first years of the decade the number of people registered as applicants for job [note 1] fell, but in 1993 it jumped to 185,000. Events after 1993 might have given rise to optimism, as the number of people seeking work fell to 153,000 over the next two years (the rate of unemployment [note 2] was just 2.9%). It should be noted that statistics here recorded the states as of the end of a year, which are slightly higher than the average values for the year contained in the summary tables of the breakdown of the labour force in the Czech Republic given in the part dealing with the development of employment. That does not in any way affect the character of the development trends, however.

Yet 1996 was again marked by a sharp rise in the number of job-seekers. This rise then accelerated. The difference between the average rate of unemployment in 1998 (6.0%) and the rate of unemployment at the end of this year (7.5%) indicates how dynamically unemployment in the Czech Republic has risen. The difference in the numbers of unemployed people between the first and the fourth quarter is more than 100,000 people registered at public labour offices. With such a development it is no surprise that the number of vacancies has been falling since 1995; the number has recently fell so dramatically that there were already more than 10 applicants per 1 vacancy in 1998.

The number of vacancies, like the rate of unemployment, displays considerable regional differences. Whilst in the Prague-east district demand for labour exceeded supply, in the Teplice district there were almost 55 applicants for every vacancy in December 1998. At the same time there was also disparity between the supply of and demand for specific professions,

1996 saw a turning-point in the development of unemployment

which is also one of the reasons that some firms – especially in construction – continue to employ foreign workers. Problems persist with placing people with a handicap in employment.

2.2. S t r u c t u r e o f a p p l i c a n t s f o r j o b

Table IV/6 Specific rates of unemployment (in %)

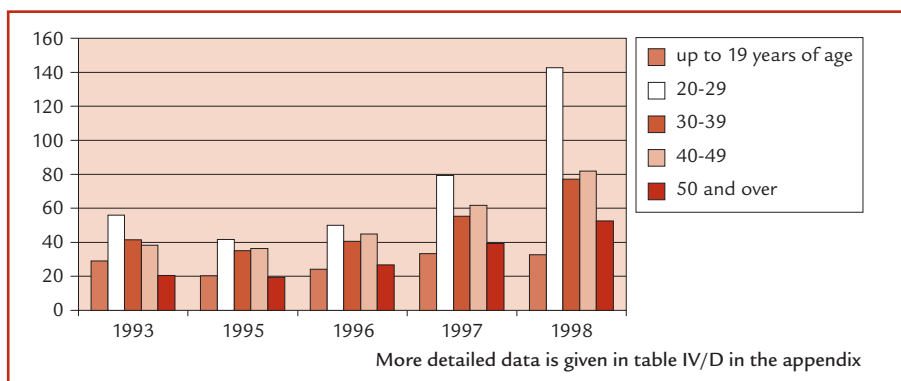
	1995	1996	1997	1998
Total rate of unemployment	2.9	3.5	5.2	7.5
Rate of unemployment of people with a reduced capacity to work	11.2	17.6	24.1	29.1
Rate of unemployment by age				
up to 19	9.4	11.6	18.3	19.7
20–24	3.4	4.3	7.1	14.1
25–29	3.2	4.1	5.7	7.9
30–34	2.9	3.5	4.9	6.7
35–39	2.6	3.1	4.3	6.1
40–44	2.4	2.9	4.1	5.6
45–49	2.3	2.9	4.1	5.6
50–54	2.6	3.3	4.4	4.2
55–59	2.0	2.5	3.4	4.2
over 60	0.1	0.2	0.3	0.5
Rate of unemployment by highest level of education achieved:				
Elementary and without education	9.5	11.7	15.7	20.6
Apprenticeship	2.7	3.4	5.0	7.7
Secondary technical without matriculation	1.0	1.1	1.6	1.5
Apprenticeship with matriculation	5.0	7.6	10.6	16.5
Full secondary technical	1.4	1.9	3.1	4.3
Full secondary comprehensive	2.3	2.9	4.7	7.6
University	0.6	0.8	1.3	1.9

Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice;
MPSV (1995–1998) Statistická ročenka trhu práce

Unemployment affects some parts of the population more than others. Most at risk in the Czech Republic are the handicapped, young people, people with minimum qualifications and women (especially with young children). The number of people with reduced capacity to work seeking employment has in recent years risen in a manner similar to the rise in the total number of registered job-seekers. At the end of 1998 they numbered 49,000, i.e. 12.7% of all people seeking work.

Young people and school-leavers are most affected by unemployment

■ **Graph IV/4 Age structure of job-seekers (thousands of persons)**



Source: MPSV (1995–1998) Statistická ročenka trhu práce

Greater impact of unemployment on the young is becoming more and more evident in the 20–29 age group, both in relative and absolute terms. Up till 1997 this age group generally accounted for around 30% of all the people seeking work, but in 1998 the proportion rose to 36.9%. During the above mentioned sharp rise in total unemployment the proportions accounted for by other age groups did not change significantly. The halt in the increase of the absolute number of people up to 19 years of age seeking work might perhaps indicate a positive change. This is a group that has considerable problems in finding employment, mainly due to a lack of qualification, experience and often an absence of basic work habits.

More detailed indicators of unemployment in individual groups of the population (table IV/6) demonstrate the telling differences in the risk of unemployment. The rate of unemployment among the handicapped almost trebled from 1995 to 1998 (from 11.2% to 29.1%). The rate of unemployment among young people up to 19 years of age had almost reached 20% in 1998 and in the 20–24 age group 14.1%.

Unemployment falls as age advances, but in 1998 it was higher in all groups than in the previous years. From the point of view of education, people with elementary education and without education are affected by unemployment far above the average rate (the rate of unemployment in 1998 was 20.6%); the same is true for people with apprenticeship with matriculation (16.5%). This information suggests what an important factor applicant's qualification is in assessment of unemployment in the Czech Republic.

■ **Table IV/7 Structure of job seekers by qualification (thousands of persons)**

	1993	1995	1996	1997	1998
Total number of job seekers	185.2	153.0	186.3	268.9	386.9
Of which:					
Elementary education	69.5	61.8	70.5	89.7	117.2
Apprenticeship	74.6	57.8	71.1	105.9	160.4
Secondary school education	36.4	29.6	40.2	65.6	97.6
Higher education	0.6	0.5	0.3	0.6	1.4
University education	4.1	3.3	4.2	7.1	10.3

Source: ČSÚ (1993–1999) Zaměstnanost a nezaměstnanost v České republice

Recent years have seen certain shifts from this point of view. In 1995 – that is to say, during a time of marked decline in the rate of unemployment – people with at most elementary education were the largest group among unemployed people. They formed more than two fifths of job-seekers. Apprentices formed a slightly smaller group. Of those with secondary school education and what is called higher education, it was leavers of secondary technical schools with matriculation that had most difficulties finding work. Mostly, the unemployed people in this group, as in the case of grammar school leavers or leavers of secondary schools without matriculation, were women. In subsequent years the number of people seeking work with mostly elementary education rose in absolute terms but as a proportion fell to 30% of all unemployed (as of year-end 1998). By contrast, the proportion of people seeking work accounted for by apprentices rose (to as much as 41.5%). The total proportion accounted for by both groups has fallen somewhat, mainly due to the detriment of people with secondary technical education with matriculation (which increased to 16%) and apprentices with matriculation (which increased to 4.5%). Although it is still true that people with relatively low levels of education have the lowest chance of finding work in the Czech Republic, a secondary school or even university education is itself an ever smaller guarantee that a person will not lose his employment or fail to find a job.

It should be added that unemployment in the various categories of secondary school education without matriculation is largely made up of women. Women also form a majority of unemployed leavers of grammar schools, secondary technical schools and universities. Only in the category of apprentices with matriculation is the proportion of job-seekers accounted for by women lower than half. With slight fluctuations, this has been a character of unemployment throughout the period from 1993 to 1998.

The relationship between the choice of study fields or schools and what is needed in practice can probably never be ideal. The widely known mismatch

between the numbers of people educated in individual fields indicates that excessive rigidity in education strategies still persists in the Czech Republic.

■ **Table IV/8 Unemployment by length of time spent as unemployed**
(thousands of persons)

	1993	1995	1996	1997	1998
Total number of job-seekers	185.2	153.0	186.3	268.9	386.9
Of which:					
up to 3 months	85.8	59.7	77.4	99.6	133.9
3–6 months	42.7	32.9	42.8	68.4	98.5
6–9 months	17.6	14.5	18.0	30.3	41.0
9–12 months	11.9	9.7	10.5	18.0	26.7
longer than 1 year	27.3	36.2	37.6	52.6	86.8

Source: MPSV (1995–1998) Statistická ročenka trhu práce

The growth in the overall number of people seeking work in recent years is reflected in the growth in all groups of job-seekers broken down by the length of time spent as unemployed. The proportion of job-seekers accounted for by people who have been looking for job for more than six months has risen only very slightly since 1995. However, in absolute terms these two-fifths of the long-term unemployed represent the fast-growing numbers of people who are exposed to the degrading and demoralising effects of unemployment. Long-term unemployment is most serious in districts or regions with high total rates of unemployment.

2.3. Specific features of Roma ethnic group

Ever since 1990, one of the results of the transformation process taking place in the Czech Republic has been pronounced social differentiation in society. That has brought to notice groups of people whose status is characterised by a different lifestyle.

The majority of the Czech Roma community can be classed in these marginal groups. In comparison with the other countries of Central Europe it has different features, determined mainly by the historical and economic development on the territory of the Czech Republic. The key point is that most members of the Roma community are concentrated in regions dominated by mining, metallurgical and chemical industries, i.e. those fields that are currently worst affected by unemployment. The Roma community is also internally differentiated according to country of origin, time of arrival on the territory of the Czech Republic and degree of integration into majority society. Even the precise number of Romanies is not known, as some, with bad memories of past events, do not admit being Romanies. A qualified estimate

**Czech Republic
government measure
to help Roma
community**

of Roma citizens places their number between 180,000 to 200,000. Similarly, the number of Romanies seeking work or receiving social benefits is not known. Nevertheless it is possible to state with some certainty that the rate of unemployment in this group is much higher than average. By qualified estimate it can be said that roughly 30% of this community permanently lives and works in the environment of the majority society. The rest of the community can be described as a group that has difficulty finding work, and projects and programmes are run to help these people increase their levels of qualification and employment.

The Ministry of Labour and Social Affairs is currently carrying out or preparing the following steps to give Romanies equal access to the labour market:

- An amendment of the employment act, valid from 1 October 1999, removes from the preamble the right to employment and introduces it in paragraph 1 in the following form: "...the right to work must not be denied to a citizen on grounds of race, skin colour, sex, conviction, membership or activity in political parties or political movements, trade union organisations and other associations, nationality, ethnic or social origin." The work of the control sections of the labour offices is being expanded so that they can better enforce this provision.
- A mid-term employment strategy targeting groups that have difficulty finding work forms part of the National Employment Plan (see Chapter 3.8). Among other things, the National Employment Plan imposes the introduction of a "choice of occupation" subject in the last two years of selected elementary schools. This subject should help pupils become familiar with the labour market; it should also identify the youths who will have difficulty finding work, implement measures to increase employment among the long-term unemployed with regard to the Roma community, use public works to provide employment mainly to those who have difficulty finding work and create real opportunities for making use of these measures for groups of the population who have reduced access to employment.
- Another way the employment services help solve this problem is by trying to integrate people who have difficulty finding work, i.e. to include these people in ordinary activities along with other job-seekers but pay greater attention to mediation and advice services when including them in existing forms of the active policy of employment.
- The employment services have also run two courses titled "Social Workers for Work with the Roma Population", which were attended by 34 Roma job-seekers, most of whom have found work as advisers to district and town authorities.
- In 1998 the Ministry of Labour and Social Affairs set up a commission to deal with the issue of people with difficulty finding work with special emphasis on the Roma community. The commission is chaired

by the Roma advisor to the Ministry of Labour and Social Affairs; other members include representatives from the Ministry of Education, Youth and Physical Education, the Ministry of Agriculture and Nutrition, the labour offices, Roma businesses and Roma initiatives. The commission meets at regular sessions, usually in places with the highest concentration of Roma citizens. At the beginning of 1999 the commission started to bring out a half-yearly Bulletin, which informs readers of the results of the commission's work in the previous period.

- One essential precondition for employing groups of citizens that have difficulty finding work is motivating them to look for work or to make use of the tools of active employment policy – either requalification or work in the form of public utility work or occupying public utility jobs.

These measures can be seen as part of the systematic approach to the problem of people who have difficulty finding work. These measures can also work separately, but in either case they are a real contribution towards a global solution to the social and work integration of problem citizens of the Czech Republic.

2.4. Regional unemployment

The ten districts (the Czech Republic has 77 districts in all) with the highest rates of unemployment as of the end of 1998 consisted of six in North Bohemia, three in North Moravia and one in South Moravia. This spread clearly shows where unemployment is most concentrated in the Czech Republic. Districts have understandably changed orders between 1993 and 1998, but the undesired first place has practically always belonged to the areas mentioned above.

In 1997 the rate of unemployment rose above 10% for the first time in five districts. By the following year 16 districts had passed this boundary (and 3 of these had passed or were just under the 15% level). Considerable regional disparities have persisted as the rise in the total rate of unemployment has accelerated. The figures for the ten districts with the lowest rates of unemployment as of the end of 1998 are much lower – from 1.6% to 4.6%. Graphs IV/A to E in the appendix give an overview of the development of unemployment in the regions.

The main factor of unemployment in crisis districts is the continuing decline in the main branches of industry. In the past these districts had high levels of employment in the extraction and processing of mineral raw materials and in agriculture and forestry. New job creation is hindered by the lack of availability of funds for small and medium-sized enterprise. Enterprise is also often hindered by poor transport infrastructure, the issue of water

Decline in a particular branch of economy deepens the differences in unemployment between the regions

management, telecommunications and energy networks, the absence of funds for investment in the environment or the lack of housing.

The districts at risk are as a rule distinguished by a progressive type of population, characterised by a greater proportion of the population in productive and post-productive age and a lower level of qualification among the people seeking work. The increased demands on qualification, combined with the necessary structuring and modernisation of the economy, mean that people with insufficient education or education in the wrong field have less chance of finding work.

2.5. B e n e f i t s f o r j o b - s e e k e r s

When a person is made redundant or is unable to find suitable work within a time corresponding to or appropriate to his or her employment, he or she must report this to the local public labour office where he or she is registered. Registration is the first precondition for receiving unemployment benefit. The provision of material aid to people seeking work in the Czech Republic is governed by the employment act, which sets out the terms of provision, the duration of provision and the amount. The act also imposes a number of duties on registered job-seekers. If these duties are not performed, benefits may be withheld.

Most fundamental aspects have seen major changes in the course of the nineties. The first condition of the right to benefits, which applies unchanged throughout the entire period under scrutiny, is that the person seeking work must have been in employment for at least 12 months in the last three years. The job-seeker is struck off the register if he turns down suitable work (unless for good reasons of health or qualification) or if he has quit a job of his own accord and without good reason during the last 6 months.

Whereas in 1990 the term of support was set at 12 months, the present legislation dictates that benefits can be received for 6 months at most. The amount was also cut. In 1990 it equalled 60% of the previous net wage (at most CZK 2400); now it is 50% of the net wage in the first three months, in the next three months 40% of the net wage (or 2.5 times the subsistence minimum, whichever is less). Because paying out benefits only treats the consequences of loss of employment and does not eliminate or prevent it, this is described as a passive employment policy. The basic data on passive employment policy is contained in table VI/9.

■ **Table IV/9 Basic data on passive employment policy**

	1993	1995	1996	1997	1998
Expenditure on passive employment policy (CZK millions)	1 884	1 782	2 106	3 420	4 194
Number of job-seekers receiving benefit (thousands of persons)	87.4	69.9	87.6	146.5	188.8
Average size of material provision (CZK/month)	1 805	2 019	2 273	2 533	2 324

Source: MPSV (1995–1998) Statistická ročenka trhu práce

2.6. U n e m p l o y m e n t p r o j e c t i o n s

As was stated in the previous chapters, the negative turnaround in the development of unemployment appeared in the Czech Republic in 1996. Since then the number of unemployed people registered at public labour offices has had a constantly rising tendency and unemployment is affecting ever wider groups of the population in terms of both levels of qualification and regional distribution. There can be no dispute that even this negative development must arrive at its maximum limit, will first stagnate and then later settle at a level usual in comparable countries. What is disputed is the upper limit of the rate of unemployment and the time when this limit will be reached. Unfortunately these disputes are often based more on political than socio-economic considerations.

Optimistic predictions are mainly heard from circles around the ruling parliamentary party; pessimistic predictions from the opposition parties. They all agree that stopping unemployment from rising requires the speedy completion of privatisation and restructuring, primarily in the area of industry, which will help kick-start economic development throughout society. The divergence between individual opinions is shown in table IV/10.

■ **Table IV/10 Unemployment predictions**

	Maximum rate	Year achieved	Optimum rate
Optimistic prediction	12.0–12.5	2000	5.0–6.0
Pessimistic prediction	12.5–14.0	2002–2003	4.0–5.0

Source: various

The government of the Czech Republic is tackling this situation by freeing up funds from the state budget for creation of new job opportunities, among other things. For example, four billion crowns in the year 2000 should help create 140,000 new jobs. Another factor counteracting the fast rise of the unemployment level should be the increased interest that foreign companies

have in investment in the Czech Republic – in 1999 foreign investment levels were higher than in the previous years. Government action to promote foreign investors is also contributing to higher foreign investment.

It is fair to suppose that these measures will slow down the rise of the level of unemployment in the Czech Republic, will later stop it and then bring it back to an acceptable level. There is a real likelihood that actual developments will correspond to the stated predictions, provided that there are no dramatic global changes.

3. Development of active employment policy

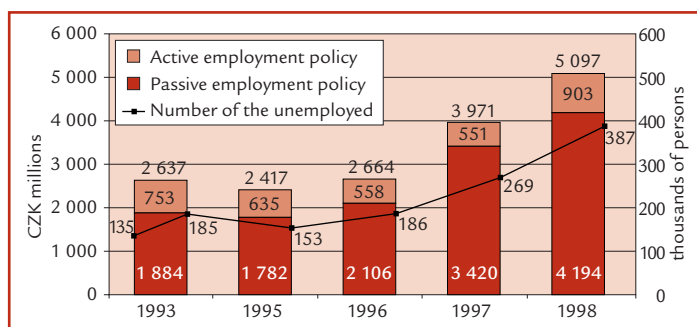
The sharp rise in unemployment in recent years greatly increases the importance of active employment policy. From the very start of transformation, after the fall of the totalitarian regime, the responsible functionaries understood that the risk of unemployment during the transition to a market economy requires more than just a social safety net. The system of public labour offices was built up with this in mind. These offices do more than just registering people seeking employment and dealing with administrative work linked to claims for benefits, recording and mediating vacant jobs etc.: they also implement active employment policy as conceived in the following forms:

- creating public utility jobs,
- organising public utility works,
- requalification (retraining),
- creating jobs for graduates and individuals practising,
- creating jobs for the handicapped including sheltered workshops and sheltered employment.

Sufficient funds are required if this policy is to be successful. Let us first look at this aspect of active employment policy in the period from 1993 to 1998 and let us compare it, using a graph, with the volume of financial resources spent on passive employment policy [see part 2.5.].

Active policy prevents unemployment occurring or increasing

■ Graph IV/5 Financial resources for active and passive employment policies (mill. CZK) */



Source: MPSV (1995–1998) Statistická ročenka trhu práce

*/ excluding administrative expenses at labour offices

The use of resources for an active employment policy were limited by directives, and did not develop in proportion with the growth of unemployment. While the number of unemployed people in 1993 and 1996 was practically equal [see appendix tab. IV/A], expenditures on an active employment policy in 1996 decreased by more than 26%, compared to those in 1993. The most significant decrease in resources for an active employment policy came in 1997, when the number of unemployed people increased by 83,000 (44.6%), while expenditures on an active employment policy decreased in absolute terms by 7 million CZK. The desired turnaround came only in 1998.

3.1. U s e o f f u n d s o n a c t i v e e m p l o y m e n t p o l i c y

■ Table IV/11 Funds (use) for active employment policy (CZK millions)

	Funds				
	1993	1995	1996	1997	1998
Public utility jobs	217.8	163.6	102.4	66.1	201.5
Public utility works	159.6	189.4	199.0	224.9	280.8
Requalification	73.3	100.0	91.7	90.4	147.3
Jobs for graduates and individual practising	245.1	117.7	100.3	101.7	117.0
Creating jobs for persons with reduced capacity to work (sheltered workshops)	48.6	59.8	57.4	59.8	127.0
Other	8.8	3.9	7.0	8.8	28.4
Total	753.4	634.7	558.0	551.9	902.9

Source: MPSV (1995–1998) Statistická ročenka trhu práce

Changes in expenditure to some degree reflect the conflict between the cost of effective measures in active employment policy and possibilities afforded by the state budget. The Czech Republic's economic difficulties caused budget cuts that were certainly behind the clear fall in overall expenditure on active employment policy after 1995 despite the growing rate of unemployment. In 1997, 26.7% less money was spent on this area than in 1993. The sharp increase in expenditure on this area in 1998 is a reflection of both soaring unemployment and new priorities in social policy after the government changes in 1997 and 1998. In 1998 the amount of funds spent on active employment policy was a good 63.6% higher than in the previous year.

The development of expenditure on the individual forms of active employment policy was not the same throughout the 1993 to 1998 period. Whilst expenditure on public utility jobs fell before 1997, making its increase the following year all the more radical, expenditure on public welfare jobs has gradually risen over the period in question. The increase in expenditure

on public utility jobs in 1998 was therefore not so marked. Expenditure on requalification, which is extraordinarily important in view of the ongoing or necessary restructuring of the Czech economy, rose until 1995. In the next two years it fell slightly and the rise in 1998 over the previous year amounted to almost 63%. Expenditure on creating jobs for the handicapped has fared the same: after an increase in 1995, the next two years saw practically no reduction, yet the increase in 1998 was enormous (a full 112%). Creation of jobs for graduates received less attention in the increase in funds on active employment policy in 1998. In 1993 this form of active employment policy received the most funds, but the following years saw a radical decline, which was not even balanced out by the increase in 1998 (just 15.7% more than in the previous year). In contrast to 1993, in 1998 this form received the least funds.

3.2. M o r e d e t a i l e d d e s c r i p t i o n o f t h e a p p r o a c h t o a c t i v e e m p l o y m e n t p o l i c y i n 1 9 9 8

In 1998, when much more money was set aside for active employment policies, the Active Employment Policy Programmes became the new basis for the public labour offices' work. The programmes have been based on analyses of the labour market in individual districts and priorities set for 1998. They have focused on people who have difficulties finding work. These mainly included:

- long-term unemployed,
- people with reduced capacity to work,
- graduates and young school leavers.

Labour offices were set quotas (ranging from 40% to 60%) of the total volume of funds for active policy measures which should be used to help these priority groups.

The total amount of active employment policy funds allocated to individual labour offices for 1998 was based on analytical calculations that made special allowance for the rate of unemployment, relative amounts of long-term registered unemployed people, of people with reduced capacity to work, of job-seekers up to 19 years of age and school leavers registered at the offices.

1998 was the first year when active employment policy had to deal with a stagnation of economic growth, where the labour supply on the labour market started to far exceed demand. The quantitative and qualitative changes on the labour market were substantial. Employment fell, the total rate of unemployment rose sharply, regional differences widened and the number of long-term unemployed rose. It is clear that there is little chance of genuine improvement in unemployment indicators without a fundamental economic revival. The approaches used in and the amount of funds set aside for active employment policy to date can merely mitigate the negative effects of the marked imbalance on the labour market.

3.3. P u b l i c u t i l i t y j o b s

It is clear that the use of funds is a significant indicator, but a more accurate picture of the significance or effect of a particular form of active employment policy is given by information on the number of jobs actually created.

■ **Table IV/12 Number of created public utility jobs**

Indicator	1993	1995	1996	1997	1998
Number of created public utility jobs	9 548	5 963	3 612	2 626	8 805
Number of placed job-seekers	12 326	6 603	4 025	2 931	8 178

Source: MPSV (1995–1998) Statistická ročenka trhu práce

Table IV/12 demonstrates, however, that both the number of jobs created and the number of placed job-seekers in individual years roughly correspond to expenditure in those years. The fall in the number of these jobs was caused by an effort to use funds as effectively as possible. The funds were mainly targeted at microregions with higher rates of unemployment and at people with difficulties finding work. Other causes include the fact that the subsidy to employers became less beneficial objectively, and the change in the structure of unemployed people registered at labour offices. There was a fall in the proportion of qualified workers, for whom this instrument is particularly suitable.

The fast rise in unemployment in 1998 made it necessary to create many more public utility jobs than in previous years. Most of these specially created jobs were designed to provide permanent or at least longer-term employment for job-seekers who had practically no hope of finding work otherwise. These jobs, which are set up for at least two years, are therefore completely justified.

The number of public utility jobs is rising

3.4 P u b l i c u t i l i t y w o r k s

Public utility works is mainly used to provide jobs for people from problem groups for whom no other suitable employment can be provided, most frequently for “unadaptable” job-seekers with no or a very low level of education, job-seekers from municipalities with bad transport links and the long-term unemployed. The main aim of this programme is to keep job-seekers actively occupied before they find a more permanent job. The main benefit is supposed to be that work habits and motivation are not lost and the person in question continues to try to gain money through work and not just from social benefits etc.

Table IV/13 Number of jobs created and job-seekers given jobs in public utility works

Indicator	1993	1995	1996	1997	1998
Number of jobs created	12 103	11 446	9 838	11 760	11 024
Number of placed job-seekers	11 757	10 821	10 259	11 888	11 905

Source: MPSV (1995–1998) Statistická ročenka trhu práce

If expenditure on creating jobs in public utility work rose from 1993 to 1998, the number of jobs created and filled fell slightly at first. There was a slight increase in 1997, but fewer jobs were created again the next year. The number of people placed in work has remained practically unchanged, so the numbers of jobs created and the numbers of people put in jobs fluctuated around the 11,000 level throughout this period. That means that over time the cost of creating this kind of provisional job has risen noticeably.

3.5. R e q u a l i f i c a t i o n (r e t r a i n i n g)

The importance of requalification is growing on the labour market, as requalification adapts the labour force to the needs of the changing economy. Requalification helps eliminate or reduce the imbalance between supply and demand on the labour market and thus brings down unemployment. That is why requalification is not only aimed at people already registered as unemployed but also, as a kind of prevention, at groups at risk of unemployment. In line with these objectives both the number of people entering requalification for the first time and the number of people already requalified were successfully increased until 1995. In the next two years, however, this trend could not be sustained and the number starting and finishing requalification fell. In 1998 there was another turnaround. The number of 16,381 people starting requalification represented a growth of 35.4% over the previous record high in 1995. The number of people finishing requalification in 1998 was also higher than the previous high in 1995 (by 23.6%).

Table IV/14 Number of job-seekers starting and finishing requalification

Indicator	1993	1995	1996	1997	1998
Starting requalification	12 095	13 454	12 107	11 448	16 381
Finishing requalification	12 521	14 034	12 133	11 918	15 479

Source: MPSV (1995–1998) Statistická ročenka trhu práce

Both basic types of requalification have been used: specific requalification, which leads to a particular job, and non-specific, which creates more general preconditions for finding a job later. Specific requalification predominated, but non-specific requalification became more widely used in time. That is related to the stagnation of the economy, the constantly rising rate of unemployment and the growing number of new school leavers seeking work. The requalification activities of labour offices are adapted to the current nature of unemployment and the stagnation of the economy. Correspondingly, the following key areas were concentrated on in 1998:

- requalification in ordinary requalification courses concentrating mainly on blue-collar professions, services, accounting and IT;
- non-specific requalification mainly for school leavers to improve their chances of finding work;
- complementary requalification, both for school leavers (to complement the education gained in the school system), and for adult job seekers before subsequently taking up a job;
- requalification of groups that have difficulty finding work – particularly for the first job of school leavers and young people, concentrating on a specific job, as a rule in combination with other tools of active employment policy and counselling;
- support for requalification by the employer, especially before the event of fundamental changes in production procedures and technologies for key employers in a region and in the event of broadening and deepening the qualification of job seekers starting work.

**Requalification as
a useful tool of active
employment policy**

3.6. C r e a t i n g j o b s f o r g r a d u a t e s a n d i n d i v i d u a l s p r a c t i s i n g

Between 1993 and 1997, expenditure on creating jobs and filling them with graduates for experience purposes fell. The numbers of jobs created and people placed in jobs also fell (by 53.7% and 52.3% respectively). The result for 1998 is a truly radical change. The number of 9,464 subsidised jobs is an increase of 152% over the previous year; 9,232 people placed in jobs is an increase of 163% even. These results are all the more remarkable for the fact that financial costs rose by just 15.7%.

**Creating jobs for
graduates is a way to
bring down
unemployment
among school leavers**

■ **Table IV/15 Number of jobs created and school leavers placed in these jobs**

Indicator	1993	1995	1996	1997	1998
Number of subsidised jobs	8 160	5 502	5 094	3 757	9 464
Number of people placed in jobs	7 375	5 292	4 971	3 515	9 232

Source: MPSV (1995–1998) Statistická ročenka trhu práce

In past years the creation of jobs enabling school leavers to gain experience was already linked to the opening and development of career information and advice centres. These centres operate at all labour offices. As there is currently an increasing number of school leavers whose qualifications do not correspond to the demands of the labour market, these centres are becoming more important. In 1998 the greatest surplus was the supply of graduates from economic and managerial fields. As a rule these graduates and young people have to first requalify or motivate themselves in various courses, job clubs etc.; only then can they be placed in jobs for graduates. The altogether more difficult conditions on the labour market and in enterprise sector are also reflected in employers' falling demand for school leavers.

3.7. C r e a t i n g s h e l t e r e d w o r k s h o p s a n d j o b s f o r t h e h a n d i c a p p e d

In terms of expenditure, the creation of jobs for the handicapped, including subsidies to setting up and running sheltered workshops, was the least used tool of active employment policy in 1998, with CZK 48.7 million used for this purpose. The funds spent on this area rose until 1995 and remained on this higher level until 1997 (CZK 59.9 million).

The development in the number of jobs created and people placed in did not particularly correspond to the development in expenditures. The number of jobs created fell constantly between 1993 and 1997 (from 1005 to a barely significant 533). The number of people placed in jobs fell in a similar way (from 947 to 493). This data shows that the proclaimed effort to eliminate discrimination in jobs for the handicapped did not have the required effect in these years. In this regard too, however, 1998 represented a substantial turnaround. The funds spent, 112% more than in the previous year, managed to create more jobs and to place more people in work. In both cases the result was successfully increased by roughly 73%.

The main limiting factor in the creation of jobs for the handicapped is the lack of interest on the side of employers. For that reason in previous years some labour offices gave precedence to the creation of jobs for people with reduced capacity to work in the form of public utility jobs, where the restrictive condition that the employer must bear half of the costs does not apply.

Efforts by the labour offices to place the handicapped in work run up against a number of serious obstacles. The main ones are:

- small number of suitable jobs;
- complicated nature of advisory and mediation work with people who have often not worked for a number of years;
- low employers' motivation to give work to these people and the handicapped themselves to find work.

Placing the handicapped in jobs is a long-term and very difficult problem

The physical handicap is often compounded by other job-related handicaps (low level of qualification, low mobility etc.).

The statistics show how bad the situation is. Despite more effective work by labour offices, employment of the handicapped fell in 1998 against the previous year from 134,000 to 123,000 and the specific rate of unemployment of this group rose from 24.1% to 29.1%. Considerable improvement in the number of jobs created and people placed in jobs by the labour offices in 1998 is a clear sign of an endeavour to improve the situation. We should also remember that, apart from arranging jobs for the handicapped, labour offices also contribute to the operation of sheltered workshops and workplaces for the handicapped. This amounted to more than 3,200 jobs in 1998.

3.8. N a t i o n a l E m p l o y m e n t P l a n

The fact that in the second half of 1998 in particular there were such fundamentally negative qualitative and quantitative changes on the labour market meant that the need to link employment policy more closely to the government's overall economic and social policy became more pressing. Evidently, neither the approaches used up to that point (the applicable legislation) nor the amount of funds set aside for employment policy (and particularly active employment policy) were sufficient to deal with the fast rising level of unemployment. For these reasons and because the approaches used to date were not sufficiently compatible with the focus and principles of employment policy used in European Union member countries, the Ministry of Labour and Social Affairs drew up a National Employment Plan. This plan, which is designed to help tackle the problem of rising unemployment more effectively, has already been approved by the government.

The situation in the development of unemployment changed substantially during 1998, linked to the fall in economic growth and the continuing restructuring of certain areas of the economy. The Czech Republic can no longer pride itself on having an exceptionally low rate of unemployment. Its rate of unemployment has already overtaken the rates in some European Union countries. The level of unemployment in the Czech Republic is still low compared to other transforming countries in Central Europe. But the fast rising trend and the ever greater differentiation between regions are still very worrying. For this reason the National Employment Plan proposed measures to increase employment. We cannot expect to see any results in a short time, however.

The new employment policy has to go beyond the existing responsibility for employment, which has so far consisted solely in the employment services. "Employment services" is a summary term for the district labour offices and the body they fall under, the Ministry of Labour and Social Affairs. Tackling the problem of unemployment must become a matter for all government departments, as well as for all the social partners. A rational solution must

have a systematic employment policy, linked to the government's overall economic, social, regional and education policy. Positive results cannot be expected without this kind of broadly conceived comprehensive approach.

The government's employment policy must focus on achieving these fundamental goals:

- introducing new economic policy measures to support the creation of new jobs and to alter the existing structure of employment;
- increasing the motivation in the workforce to enter or return to employment by making work incomes far more attractive than social incomes;
- bringing the preparation of the workforce into line with the requirements of the labour market;
- bringing the scale and employment of foreign workers into line with the situation on the labour market;
- increasing the scope and effectiveness of active economic policy measures;
- ensuring that there are sufficient staff, organisation and funds for the working of the employment services in line with the expected level of unemployment.

With possible entry to the European Union on the horizon, the Czech Republic is prepared to accept the principles of individual policies that are enshrined in the Treaty on the European Community. The employment principles place emphasis on channelling social transfers into measures designed to increase employment and to increase today's low motivation among the unemployed, to renew their interest in finding employment or in preparing themselves for work. The aim of these measures is to prevent at-risk groups being excluded from society.

The principles in the field of employment are based on the priorities also contained in the Czech Republic's National Employment Plan. These are the following four measures, which are described as the pillars of the National Employment Plan:

- supporting employability;
- supporting small and medium-sized enterprise;
- supporting adaptability of companies and their employees;
- supporting equal opportunities for all.

The aim of the National Employment Plan is to assimilate the principles of the Council of the European Union and to apply them in a creative way to the Czech situation. The first pillar consists of measures designed to make people employable by helping them acquire the levels of qualification and flexibility required by the labour market. These measures seek to eliminate various barriers such as insufficiently developed work habits, particularly in the young, the handicapped and the long-term unemployed. Making people more employable also includes increasing the motivation of the workforce to

enter employment, to remain in employment and to improve their position on the labour market relative to foreign workforce.

The second pillar contains measures that are designed generally to improve the conditions for enterprise and to even out the competitive environment both on the domestic market and compared to the other states seeking to join the European Union. In view of the different conditions of the market in the Czech Republic, these measures do not just target small and medium-sized companies, they also seek to revitalise the economy on a macroeconomic level and to improve the enterprise conditions for large investors. This comprises both direct measures (aid from the state budget) and indirect measures (tax relief, bank guarantees and state guarantees).

The aim of the measures in the third pillar is to create the right conditions for a dynamic and flexible labour market as part of the national economy as a whole. For that reason they are designed to create the right conditions for the modernisation of the organisation of labour and forms of working hours and to support the adaptability of firms and employees. The speed at which these measures are carried out will depend upon finding a reasonable compromise between employers' need to survive in international competition and the endeavour of the trade unions to maintain the necessary level of protection for employees in the new conditions.

The measures in the fourth pillar are designed to eliminate discrimination in access to employment and to strengthen the legal and institutional instruments and mechanisms for eliminating all forms of discrimination on the labour market.

The National Employment Plan contains 20 concrete measures. It sets out the goals that are to be achieved through these measures and defines their target groups, the way they should be applied and who is responsible for the tasks.

4. **Social dialogue**

4.1. **E m e r g e n c e a n d d e v e l o p m e n t o f s o c i a l d i a l o g u e**

The concept of social dialogue is based on a joint solution to problems and consensus among the representatives of labour and capital. The idea and principle of social partnership started to take shape in the form of two main institutes: at a corporate and sectoral level (and also experimentally on a regional level) in the form of collective bargaining, and at the macroeconomic level in the form of tripartite negotiation.

Collective bargaining is governed by the Collective Bargaining Act. This law regulates collective bargaining between the relevant bodies of the trade union organisations and employers, with possible participation by the state. The aim of collective bargaining is to achieve a collective agreement.

Unlike collective bargaining, tripartite negotiation takes place between representatives of employers and employees with the participation of the state (government) as the representative of the interests of society as a whole. The institutionalised form of tripartite negotiation at the national level and its appropriate body – the Council for Economic and Social Consensus – was set up by agreement between the parties concerned.

The reform strategy after 1989 required a political and institutional basis that would help resolve expected conflicts or would prevent or minimise them. The federal government and also national governments decided, as in many other states in Central and Eastern Europe, to create institutions that would represent interests and allow feedback. In 1990 the government, in collaboration with the trade unions and the emerging associations of businesses and employers, set up the Council for Social Dialogue (later renamed as the Council for Economic and Social Consensus). Tripartite ties, as a model of representation, operate in European countries and the unions saw them as part of the process of integration into Europe. Neither the existence of the Council nor its relationship to Parliament is formally enshrined in the legal order. Its working is the result of agreement between all the parties concerned.

The first use of tripartite negotiations was consultation on important government action or draft laws and measures concerning employment, the standard of living and social and working conditions, before the government made its decision on these proposals. The dialogue helped create the right framework conditions for economic and social development. The form taken by tripartite ties also developed as a result of the changing political, economic and social conditions and the growing maturity of the social partners. Denationalisation and privatisation brought changes to the content of the negotiations.

In autumn 1993 the new Czech government that had emerged from the 1992 elections formulated its idea of the future of tripartite ties, evidently driven by the classic liberal objections to neocorporativism and desire to minimise it. Its idea was that in the post-transformation period the Council should change into an advice and consultation body of representatives of employees and employers, with the government merely adopting the role of observer.

The government indicated its intention to leave tripartite negotiations within two years. The trade unions did not want to weaken the role of tripartite negotiations and took issue with this intention. The tense situation and the stalemated negotiations resulted in the adoption of new Statutes of the Council for Economic and Social Consensus (in 1995). The new statutes brought a fundamental revision of the original concept and form of tripartite ties and a narrowing of the set of problems for discussion to the issues of wages, pay, labour relations, collective bargaining, employment, work safety

The goal of the Council for Economic and Social Consensus was to create platforms for preventing and resolving conflicts

The original conception of the Council for Economic and Social Consensus was changed in 1993

and other social matters. The change of name to the Council for Social Dialogue (later the Council for Dialogue between Social Partners) and the new structure of the body were consistent with this.

Under the newly adopted concept the Council's function was to provide information rather than to bring about agreement. The change essentially implemented the government's hidden agenda of getting rid of tripartite ties as an intervening body and meant that Parliament became the main place where interests were to be asserted. In this climate of hostility towards the tripartite institute, the trade unions were not provoked into abandoning tripartite ties. Foreign experience had shown the trade unions that the tripartite mechanism is easy to shut down but hard to restart.

After the elections in 1996, in the worsening economic situation in 1996 and 1997 and with growing social tension [note 3], the government displayed a greater willingness to negotiate with its social partners and to consult them on and seek support for planned steps. On the instigation of employers and the trade unions, negotiations were held in the spring of 1997 on new Statutes and Rules of Business for the Council, with a demand for economic issues to be put back on the agenda and with especial emphasis on the role of agreement broker and renewing mutual trust between the participants in dialogue.

Like most social-democratic governments, the present government is aware of the significance of social dialogue and places great importance on it. This is dictated by both the nature of its manifesto and preparation for entry to the European Union, which presupposes that important steps will be consulted with the government's social partners.

The main problems that have been tackled in tripartite negotiations in the past years have concerned the transformation of the social sphere, wages [see Chapter VI], labour relations and the Labour Code. The law on strikes and the law on the civil service are also worth mentioning. The problems associated with transformation of the social sphere have mainly affected social, health and pension insurance.

Negotiations on pension insurance contained three areas of conflict: the separation of the pension system from the state budget, the raising of the retirement age and questions of supplementary pension insurance based on a collective (employee) or individual basis. As far as the last point is concerned, the government sought to assert the individual principle alone. There was no change until 1999 – employers now have a greater possibility (carrying tax relief) for contributing to supplementary pension insurance.

Between 1991 and 1995 the main point of conflict in the area of wages was wage regulation, which was definitively scrapped in July 1995. The measure affected all firms for whom wage increases had been limited under threat of extra taxes. A constant problem, which was the main obstacle preventing the signing of a General Agreement in 1995, for example, was the size of the

The importance of tripartite ties was reinforced in 1997

Tripartite discussion on transformation of the social sphere

minimum wage, where the unions' demands clashed with the government's. Wages in fully budget-funded and contribution organizations and the non-existence of an institutionalised form of collective wage bargaining on a sectoral level have also continued to be areas of conflict.

Since the start of economic and social transformation, changing the Labour Code to reflect all the fundamental changes in labour relations has been an important and contentious issue. There was disagreement on both the form of the new legislation on labour relations and their substance. Since the start of transformation, amendment of the Labour Code was a very important topic for the social partners. In November 1994 the trade unions organised a demonstration in Prague against the government draft amendment, which was later passed by Parliament. Other discussions taking place since 1995 have concerned the preparation of a new Labour Code. One characteristic feature was the government's efforts, continuing over several years, to scrap the Labour Code and to incorporate labour matters into the Civil Code. It was not just the trade unions that stood in the way of this move – employers were to a large degree against it as well. At present a new Labour Code is being prepared with the participation of the social partners.

4.2. C h a n g e s i n t h e G e n e r a l A g r e e m e n t

The fundamental document manifesting agreement on common interests in tripartite form was the General Agreement. The General Agreement was also a framework document and starting-point for collective bargaining at the sectoral and corporate level. It was not a legally binding document. It was the product of democratically achieved consensus between the participating parties and compliance with it could only be sought by political means. This made the General Agreement different from collective bargaining, where the collective agreements concluded at various levels are legally binding and enforceable.

The General Agreement was signed every year from 1991 to 1994. Signing was always preceded by long and often turbulent negotiations. A comparison of the individual General Agreements made shows that over time their formulation reflected differing degrees of maturity and the institutionalisation of interests and the changing economic situation during privatisation. The dropping of the demand for this settlement to be binding, something the unions had pushed for in the first years, also reflected the changing situation.

The first General Agreements contained various frameworks (prices, wages), defined social certainties and tried to set out precisely who was to do what or abide by what. During economic transformation and privatisation these specific definitions were important for the parties involved, yet later they lost their substantiation. Even so the trade unions and many employers desired to sign some sort of framework settlement, even if it was to be more loosely

The General Agreement was a political document and was not legally binding

conceived. The discordant development of tripartite ties and the differing ideas and demands of the social partners meant that it has not been possible to conclude a General Agreement since 1995. In 1997 and 1998 no consideration was even given to preparing an agreement.

The deterioration of the economic situation and later the emergence of a new social-democratic government in 1998 meant that there was greater interest in tripartite activity and in the conclusion of some form of framework agreement. The social partners all agree that the general agreement has a fundamental significance. The document should be a framework agreement over a long time-scale that expresses the partners' willingness to negotiate and defines the main tasks and the rules for passing on information. It can be a merely political document, a gentlemen's agreement between the parties, without any commitments. A proposal has emerged whereby this generally formulated declaration would be signed for the entire term of a government with protocols added every year.

In 1998 the function and point of the General Agreement were rediscovered

4.3. A c t o r s i n s o c i a l d i a l o g u e

When the Council was set up in 1990, it contained 7 government representatives, 7 representatives of the trade unions and 7 representatives of employers in what were called delegations. Despite the different form of delegations in line with the changing statutes and conception of tripartite ties, the Council has always consisted of three partners and the same institutional representatives of employers and employees. At the head stands a government representative, as a rule the Minister of Labour and Social Affairs.

Employees are represented by two central trade union bodies, the largest Czech and Moravian Confederation of Trade Unions (ČMKOS) with 1.3 million members (1998) and the Confederation of Art and Culture with 120,000 members (1998), which represent what are called the successor trade unions [note 4]. Trade union organisations standing outside these umbrella organisations are not represented in tripartite negotiations. Yet there is mounting pressure from some of them for this to be changed [note 5]. The trade unions have remained highly centralised in the Czech Republic, and this has proved to be an advantage during negotiations, partly due to their strong base of expert specialists.

Employers are represented in tripartite negotiations by the Co-ordination Committee of the Confederation of Employers and Business Associations of the Czech Republic and the Federation of Industry and Transport of the Czech Republic. The Confederation is an umbrella organisation for many business associations set up for individual branches of industry or grouping together private businessmen. It also includes associations of businesses in agriculture and the co-operative sector. Membership in employer

associations is voluntary, like membership in trade unions. In the Czech Republic around 30% of all companies are members of employer associations. Compared to the trade unions, employer associations are not mutually supportive and they have insufficient staff, funds or expertise.

There are no formal links between political parties and the social partners in the Czech Republic. Independence from political parties and apolitical status is a guiding principle. This was declared right from the start by both employers and trade unions and in the new statutes of the Council this is incorporated in the criteria determining whether a group is representative or not.

Relations between employers and the trade unions are today described by both parties as regular. If employers have a common interest with the trade unions (as was the case when they pushed for wage regulation to be scrapped), they can join forces and take the same stance in tripartite negotiations. Relations between the government and trade unions have not been so straightforward. After supporting government policy and its economic programme in the first years the trade unions began to realise the risks involved in the government's social policy. They were also able to organise warning protests or strikes and came into conflict with the government. That was made manifest during tripartite negotiations and by the government's attitude to the negotiations.

Social partnership has stabilised only on the macroeconomic level in the Czech Republic. An attempt was made to institutionalise social dialogue at a sectoral level in the health sector. On a wider scale, however, there has so far been little institutionalisation at a sectoral level.

4.4. C o l l e c t i v e b a r g a i n i n g a t a r e g i o n a l l e v e l

At a regional level social dialogue has only existed as an informal network of relations within a region, based on personal contacts, experiences from co-operation in past years, mutual provision of advantages and common values and rules. The regional institutes emerged naturally where the actors were willing to operate under provisional arrangements and shared a key common interest. As the economic situation got worse and conflicts between employers and employees mounted, there is an emerging need for an organisational element based on the territorial principle and for an organisation affiliating sectoral interests within a region.

The provisional nature of the administrative arrangement of the state and the repeated deferral of the creation of higher territorial administrative units have made it impossible to incorporate these kinds of associations into a more stable structure that would guarantee their long-term existence. Nevertheless, the need to hold social dialogue at a regional level to deal with the specific features of the social and economic development of a region and its unemployment is felt more and more strongly. Labour markets, unemployment, wage development, transport to work and education

Social dialogue at a regional level is still underdeveloped

(especially specialist education) have an increasingly regional character. The trade unions must be involved in the search for solutions to these problems and for that reason ČMKOS will continue to co-ordinate the activity of regional trade unions committees. The need for co-operation in the regions is becoming more important in places where cross-border co-operation is becoming a reality.

The senate of ČMKOS defined and approved the status of regional trade union federations as long ago as 1994 and regional federations have existed in certain regions as voluntary associations (there were 22 in 1997). Employer and business associations have so far grouped together entities in particular sectors; territorial associations have been slow to develop. Chambers of commerce exist in the regions, but these do not want to be spokesmen in bargaining. That would be out of line with their status as institutions that represent technical interests and not employer interests.

4.5. B a r g a i n i n g a t a s e c t o r a l a n d c o r p o r a t e l e v e l

Bargaining at a departmental level, between employer associations and trade unions, follows on from bargaining at the supreme, national level. Negotiations are held between the social partners alone, without government participation. The bargaining is supposed to lead to “collective agreements of higher instance” (CAHI). CAHI regulate individual and collective relations between employers and employees and the rights and duties of the parties. At the start of transformation, 1991 and 1992, the trade unions in particular pressed hard for CAHI to be extended to cover entire sectors, i.e. so that they would even be binding for non-member entities. That was chiefly targeted at those employers that refused to take part in collective bargaining.

Extending CAHI was and is particularly important for the trade unions, as it is the practical application of the principle of corporative consensus. Some employers refuse to join employer associations because they do not want to be bound by collective agreements on wages. The trade unions have long been in dispute with the government about the extension of CAHI. Employers do not support the trade unions in this matter and have differing views on this issue. The registration of CAHI and the possibility for extending them to other entities come under the authority of the Ministry of Labour and Social Affairs. They are judged by a committee headed by a representative of the ministry and included representatives of the trade unions and employers.

Collective agreements of higher instance are not in the nature of binding contracts, but rather agreements on minimum levels (e.g. for wages, working hours or holidays) that will apply in a sector for a certain term. They are binding for the entities that sign the agreement. For example, in 1992 seven such agreements were extended to a total of 649 employers. In 1995 15 trade

The trade unions have sought, for a long time and without success, to extend collective bargaining

unions affiliated in ČMKOS made 30 collective agreements of higher instance with 24 employer associations. These agreements apply to 1,725 trade union organisations and 649,779 employees [note 6]. The number of employer associations that are reluctant to sign collective agreements of higher instance is constantly rising. The trade unions see this as a major problem, because the falling membership of trade unions and the rising number of firms in which there are no trade unions and no collective agreement mean that the number of employees who receive wages and social benefits on the basis of collective agreements is falling.

The entire public sector is excluded from negotiations on collective agreements of higher instance. In this case discussions take place with the relevant ministry, but these discussions are restricted by the budget approved by Parliament. Efforts to create a collective bargaining mechanism, especially for wage demands, have so far failed. The problems that have amassed in this sphere have in recent years led to open displays of dissent [note 7].

The lowest level of collective bargaining is bargaining at a corporate level between an employer and a trade union organisation, with the aim of making a collective agreement. The process of collective bargaining (including strikes and lockouts) is governed by law and the framework terms are comparable with those in western countries. The collective agreement applies for all employees of an organisation, not just trade union members. This principle is not accepted without reservation by trade union members and functionaries. It is seen as unjust and it is held up as one of the reasons that motivation to join trade union organisations is low, as trade union members' contributions finance the organisation's activity but the results are also enjoyed by non-members.

At a corporate level, trade unions have so far been best able to assert the interests of their members. Seeing that more and more wage and labour matters will become the subject of collective bargaining, their significance will continue to grow in future. That is why the prevailing endeavour to regulate wage and labour conditions separately, without agreement with a trade union organisation, is worrying. The number of employer firms that contain trade union organisations is falling. In 1998 just 30% of all employees participated in corporate collective agreements.

The trade unions have differing views on the principle that a collective agreement applies for all employees

Notes:

1. An applicant for job is a citizen who has not been hired for employment or similar purposes, is not pursuing an independent form of gainful activity, and is not systematically preparing for a profession, and who regularly reports to the labour office based on a written request for the mediation of suitable employment.
2. The rate of unemployment is a percentage expression of the ratio between the number of applicants for jobs and the total number of economically active members of the population.
3. Before the end of 1996 strike action was merely sporadic; strikes became more frequent in 1997 (e.g. the strike by employees of Czech Railways or the successive strikes by staff in elementary, nursery and secondary schools).
4. The successor central organisations were set up in 1990 after the collapse of the former Revolutionary Trade Union Movement and took over its member base and assets.
5. Primarily the Association of Independent Trade Unions, which affiliates a total of 220,000 members. Other trade union associations – the Trade Union Association of Bohemia, Moravia and Silesia with around 60,000 members and the Christian Trade Union Coalition with roughly 10,000 members – do not seek to take part in tripartite negotiations.
6. Ministry of Labour and Social Affairs data
7. One example is the hour-long warning strike by public sector employees in June 1998.

Systems of social benefits and services play a very important role in the transformation of the countries of Central and Eastern Europe. Recently, social problems have received attention in the Czech Republic not only from a limited group of experts but also from politicians, economists, the media and the general public. This chapter will describe its development over the past ten years.

Social questions and various aspects of social protection and social care represent a highly complicated problem. Social policy is deeply rooted in the tradition and culture of each country; it forms part of the dominant value system and is reflected in social norms. It works across legal and economic systems. It involves not only ensuring material resources for those in need, but also indirect regulation of social relations in the interest of equality and justice.

Therefore, economic reforms at the beginning of the nineties were accompanied by fundamental social reforms as well. The goal of the transformation process was to create a social system that would:

- answer to the needs of a market economy,
- stimulate individuals and social groups to assume greater responsibility for their own social situation and to become socially independent of state benefits,
- be prepared for the demographic and economic processes in modern society, taking its inspiration from the systems of social protection in developed countries and making use of modern methods of protecting citizens against individual social risks.

The basic principles of the social rights of citizens of the Czech Republic are contained in the Charter of Fundamental Rights and Freedoms, which is part of the Constitution of the Czech Republic. Articles 26, 30, 31 and 32 state that:

- Everyone has the right to obtain his or her means of living through work. Citizens who are not capable of doing so will receive material support from the state.
- Citizens have the right to adequate material protection in the case of old age, incapacity for work and loss of the breadwinner.
- Everyone has the right to health care. Citizens have the right to cost-free health care, based on public health insurance and under the conditions stipulated by law.
- Special care for pregnant women, the protection of labor relations and the corresponding working conditions are guaranteed. Parents who are raising children have the right to state assistance.

Reform of the social security system has been going on since 1989. The first conception was founded on three basic pillars – social insurance, state social support and social assistance.

Economic reforms have been accompanied by social reforms from the very beginning

The conception of the reform of social security is built on three pillars

The system of social insurance involved creating security mechanisms against the risk of loss of income due to loss of employment, old age, illness, disability, unemployment or the death of the breadwinner. The system of health care is administratively and financially separate from the system of social insurance. The former provides monetary benefits in the case of illness and childbirth, while the latter ensures medical care and provides in-kind benefits of health care.

The system of state social support comprises various benefits and contributions through which the state complements its social policy in those areas and situations where it sees this as essential, based on social consensus. Its key elements are family benefits, such as, for instance, child allowances, childbirth benefits, funeral benefits, and so on.

Reform of the social assistance system has been partially delayed. Up till now, needs in special life situations have been covered by the social welfare system, in which, once ordinary social protection procedures have been exhausted, there follows “extraordinary” assistance for needy individuals. The state is active in these situations alongside charitable and other non-state institutions.

In studying the main social and economic conditions for carrying out the reform of social protection, we find that the main problems stem from the strength of the Czech economy, demographic trends and the overall effectiveness of administration.

During the past two years, the economic strength of the Czech Republic has declined. Hand in hand with the economic crisis, we face a dynamic growth in the rate of unemployment. This means that fewer people are contributing to the system of social protection, lower wages are affecting the amount of contributions deducted from earnings, and many more people are dependent on social benefits. All of this threatens the sustainability of the entire system of social protection. At the same time, the population of the Czech Republic, like that of all of Europe, is getting older.

Below we describe the evolution of reform in key individual areas of the social protection system – in the areas of pensions [see part 1], health care [see part 2], support for families [see part 3] and social assistance [see part 4]. Another chapter is devoted to the problem of unemployment [see chapter III], therefore we have mentioned the system of unemployment benefits only marginally here.

1. **Pensions**

The evolution of reform conceptions, which we can trace through an analysis of period documents, went through three basic phases. The reform conception for the first phase can be designated as “federal”, and covers the period from 1989 to 1993, when the federation was divided. Its main principles were derived from the first proposals for pension reforms at the beginning of the nineties. Emphasis was placed on the following:

The first steps in the reform of the pension system had been taken by 1993

- pensions based on earnings, administered and financed in accordance with the classical system of social insurance (public), which meant creating a public pension fund administered on a tripartite basis,
- adoption of corporative elements within supplementary schemes.

Only the first reform measures were carried out during this phase. A law on social security contributions and state employment policy contributions was passed. Proposals for establishing a public pension fund and a conception for building voluntary supplementary pension insurance on an employer-employee basis were submitted for public discussion before the end of this phase.

The period from the collapse of the federation to the year 1997 may be regarded as the second phase. Throughout this entire period a liberal-conservative coalition had a majority in Parliament. The following were characteristic of this phase:

- a tendency towards a liberal pension model, which mainly followed the pension diversification outlined in a proposal by the World Bank,
- an attempt to create conditions for transferring the income-oriented parts of the basic pension to other, capital-financed systems,
- a defense of the civic principle and the principle of civic equality in supplementary pension schemes.

During this phase, a new law on basic pension insurance (1996) and a law on supplementary pension insurance with a state contribution (1994) were passed. Both laws followed the conception of reform from the first phase to a certain degree; however, the first technical preparations were made for more radical reform measures. Instead of the employer system of supplementary pension insurance originally anticipated, a supplementary pension scheme based on the civic principle was introduced. Flexibility was added to basic pension insurance, allowing a gradual reduction of the importance of the basic system, above all in the area of mechanisms and criteria for valorizing pensions. While no explicit expression of reform goals may be found in government documents from this time, political declarations nonetheless emphasized ever more frequently that, given demographic trends, a system of ongoing financing had no real prospects. The Ministry of Labour and Social Affairs was called upon to prepare a reform conception that would divide the existing system into two mandatory pillars. The first of these was based on ongoing financing, while the second was completely fund-based.

As has already been stated, at the end of this period the CR's economic performance began to slow down and head towards an economic crisis. In response to economic developments, new criteria for valorizing pensions and certain other restrictions in the social policy sphere had been introduced as early as 1997. At the end of that year, the liberal-conservative coalition government resigned, and the new interim government supported further

Laws on pension insurance and supplementary pension insurance were passed during the second phase

pension reforms in the spirit of the liberal conception. Since, however, its mandate was limited to the period up till new elections in the middle of 1998, it was unable to carry out several important changes in the pension system.

The third phase has been characterized by a gradual strengthening of the political importance of the social democratic party, which had already begun during 1997. In 1998 the social democrats formed a minority government and produced their own proposed conception for reform, which was more or less in the spirit of the main principles of the first phase. The following have been typical of the past year:

- broader public discussion of the future of the pension system,
- equal public support for the liberal and continental conceptions of reform (these terms will be explained below),
- a higher deficit in the pension fund (or the special state budget account),
- greater attention to the CR's prospects for integration into the EU.

Seeking the way for further reforms

The scheme can be defined as a social insurance system in which contributions by those insured are collected by the state authority, the Czech Social Security Administration, this income being part of the state budget. Pension insurance is structured as an insurance obligation for all economically active persons. The retirement age for men is 60+ years, for women between 53+ and 57+ years, depending upon the number of children brought up. New provisions in the main act (155/95) have established gradual increases in the retirement age: 2 months for men and 4 months for women per (complete or partial) year during the period from 31 December 1995 until the day the ages stipulated above are attained, effective up to 31 December 2006, when the retirement age will be 62 for men and 57 – 61 for women (according to the number of children brought up). There are also opportunities for early retirement.

Current parameters of the basic pension insurance scheme

The rules for determining the earnings decisive in calculating pensions are as follows:

- The earnings decisive for pension calculations (the personal assessment base) were originally the average (gross) earnings achieved during the ten year period before retirement (1996). This period will be extended each year by one year until it reaches a total period of 30 calendar years. Currently, the total period taken into account is 13 years (1999).
- All earnings within the given period are incorporated into the calculations. These earnings are reassessed so that their levels may be maintained in relation to the average wage. This results in the "indexing" of these earnings.
- There is a reduction mechanism which introduces solidarity into the system: the personal assessment base is fully included in an amount of

up to 6,100 CZK. From 6,100 to 13,000 CZK, 30 % is included, while 10% of anything over 13,000 CZK is included without further limitations..

Every pension consists of the following two tiers:

1. A basic amount (flat rate) which is the same for all pensions. This is provided in a fixed amount (currently 1,310 CZK) per month. If two or more pensions (old age, disability, survivor's) are granted, the basic amount is paid only once.
2. A percentage amount (related to earnings), which is calculated using the personal assessment base and the number of years insured, and differs according to the type of pension:
 - a/ for an old-age pension or full disability pension, 1.5% of the personal assessment base is given for each year of insurance,
 - b/ for a partial disability pension, 0.75% of the personal assessment base,
 - c/ for survivor's pensions, the basis is the percentage amount of the pension which the deceased person was receiving or was entitled to at the time of his death. The benefits amount to 50% of the percentage amount of the deceased person's pension in the case of a widow's or widower's pension, and 40% in the case of an orphan's pension.

In the event of an accumulation of claims to an old-age, full disability or partial disability pension along with a widow's/widower's pension or orphan's pension, the highest claim is paid out to the full extent. One half of the percentage amount of the other pensions is paid. A pensioner is entitled to one basic flat rate amount only.

The Ministry of Labour and Social Affairs issues legislation for the entire social security sphere (except medical care). The Czech Social Security Administration (ČSSZ) is subordinate to the Ministry, and serves as the state's administrative authority. The ČSSZ is a budgetary organization which is directly subordinate, in terms of legislation and services, to the supervision of the Ministry of Labour and Social Affairs of the Czech Republic.

The basic pension insurance law specifies the manner in which pension adjustments are to be made.

1.1. P r e c o n d i t i o n s f o r r e f o r m

There is no doubt about the fact that the pension system is highly sensitive to demographic and economic developments. This arises from the fact the basic pension insurance system is based on ongoing financing, in which pension payments for current pensioners are more or less covered by current contributions from economically active individuals.

Demographic forecasts clearly show the need for rapid reform

One of the decisive factors in this regard is the ratio between the number of pensioners and the number of persons making contributions to the system. Its development is shown in table V/1.

■ **Table V/1 Development of the ratio between the number of pensioners and the number of persons paying contributions**

Number of pensioners to a number of contributors

Year	Retirement age (Act No. 155/95)	Retirement age 65
1996	0.48	0.48
1997	0.48	0.48
1998	0.47	0.47
1999	0.47	0.47
2000	0.48	0.48
2005	0.49	0.49
2010	0.53	0.52
2015	0.59	0.54
2020	0.64	0.57
2025	0.68	0.58
2030	0.72	0.61
2040	0.86	0.70
2050	0.93	0.78

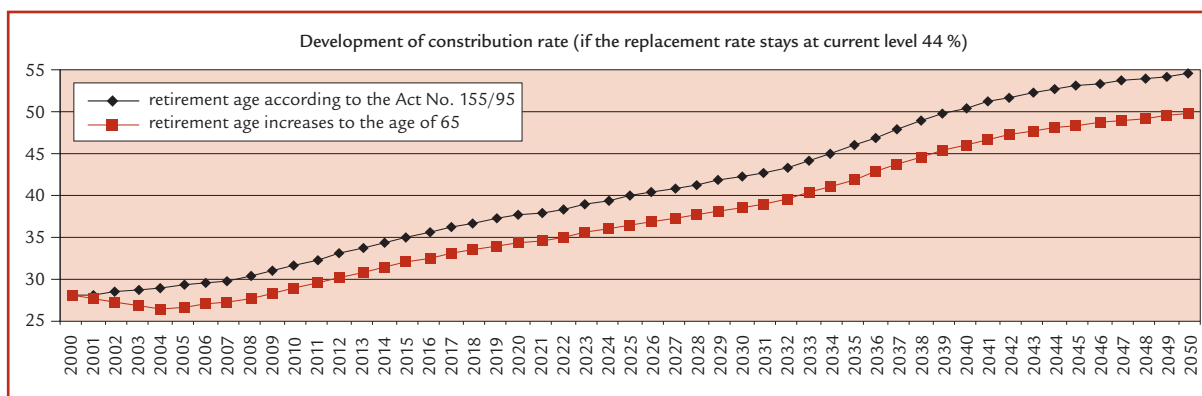
Source: ČSÚ

The forecast for demographic development up to the year 2050, issued by the Czech Statistical Office, indicates that the Czech Republic will have to plan on significant reforms of its pension system. The anticipated increase of the ratio between the number of pensioners and economically active persons can be compensated for either by increasing contributions in order to maintain pension levels, or by reducing the amount of pensions.

Based on these prognoses, the Ministry of Labour and Social Affairs has prepared figures on the amount of contributions to the basic system of pension insurance, taking into account certain parameters such as the growth of the gross domestic product, the level of unemployment, the growth of wages and so on. These figures indicate how the contribution rate should grow.

Even if the retirement age were to be increased to 65 for both men and women, the amount of insurance contributions needed to maintain the level of benefits in the basic system would be extremely high. A measure for reducing the amount of income replacement to 40% has been prepared. The model for such development was, again, created by the Ministry of Labour and Social Affairs. These two calculations are shown in graph V/1.

Graph V/1 Growth of the contribution rate (in %)



Source: MPSV calculations

The proponents of both continental and radical reform are quite familiar with these figures. The former group believes that there exist instruments for maintaining the principal scheme of protecting people against the risk of old age and invalidity, based on ongoing financing. As was stated above, they plan to introduce stricter conditions for entitlement to a pension, increase the reduction for early retirement, strengthen the tie between the amount of a pension and the premiums paid, and so on. We must consider the fact that these figures are based on the prospect that the system of revenues and expenditures will be balanced without any kind of intervention in the budget. In their view, the state should contribute to the system as well, at least by making payments during the replacement period.

The second group insists on the introduction of mandatory, fully fund-based savings, which in the future should, in combination with ongoing financing, cover a certain part of pensioners' incomes. Contributions by economically active individuals would be so high that, in their view, the economic strength and stability of the Czech Republic could be threatened in the near future.

Substantial changes have been made in the pension system over the past ten years. The Czech Republic now has a two-pillar system, which is the result of various compromises made in the course of the transformation process.

The two main laws – 155/1995 on basic pension insurance and 42/1994 on supplementary pension insurance with a state contribution – were meant to create room for future changes in the pension system in response to social, demographic and economic developments. They were, however, created during the second phase of reform, when optimism concerning the prospects for economic growth prevailed. The situation at the present time is considerably different. The Czech Republic is facing an economic recession, and more accurate demographic projections have been made, indicating a more pessimistic trend of development.

For now, there is only a two-pillar pension system

Given a situation in which there is nearly equal support for the two different alternatives for subsequent reform, it is very difficult to seek social consensus on further changes. It would, therefore, be particularly advisable to take the essential steps towards introducing a modern political decision-making process capable of reaching political compromises and consensus regarding the long-term strategy for pension reform.

Quality legal provisions on basic pension insurance should allow the adoption of measures that would ensure the sustainability and economic equilibrium of the basic system of pension insurance in a short-term perspective.

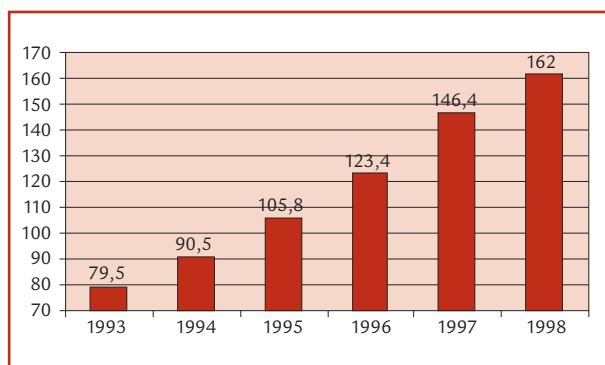
Effective reform of the second pillar, supplementary pension insurance, and perhaps also the creation of new alternative schemes, should increasingly serve to verify the functioning of capital-financed schemes. This would bring about gradual stabilization of these schemes, as well as create room for placing part of the basic system under their administration.

At the same time, it is necessary to develop the idea of transforming the Czech Social Security Administration from a government to a public institution. Other important changes in the area of administration include altering the mechanism for gathering and recording data, adding information on the employees of large companies, adding future identification features, and satisfying the need for reports on increases, decreases and annual inspections in the event that all socially insured, gainfully employed people would have their own individual insurance account.

1.2. Economic factors of the pension system

A look at the actual growth of pension insurance expenditures is the starting point for following the development of the pension system. These figures are illustrated in graph V/2.

■ Graph V/2 Pension expenditures (billions CZK)



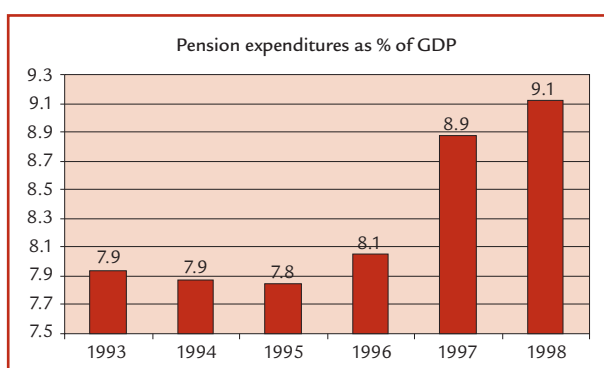
Source: VÚPSV calculations

The economic effects achieved by the pension system must be assessed from the point of view of the development of several basic indicators, which characterize the economic factors at work in the entire system:

- One very important indicator for the relationship between the basic pension insurance system and the national economy is the percentage of expenditures on this system in terms of the overall GDP.
- A second indicator which we can make use of is the percentage of expenditures on pension insurance in terms of the state budget.
- A third indicator which we have decided to use is the position of basic pension insurance with regard to other systems of social security.

Expenditures on pension insurance have begun to grow with regard to the GDP

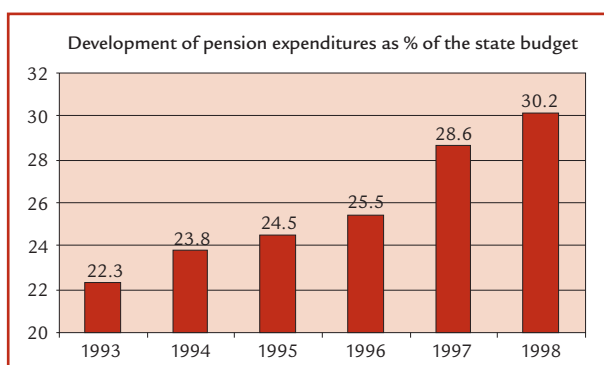
■ Graph V/3 Basic indicators for the growth of pension expenditures



Source: VÚPSV calculations

It is apparent on first glance at graph V/3 that expenditures on the basic pension insurance system continue to grow with regard to the GDP. A clearer illustration is provided by the figures on the annual growth of pension expenditures as percentage of the state budget in the graph V/4.

■ Graph V/4 Basic indicators for the growth of pension expenditures



Source: VÚPSV calculations

The restrictions on pension valorization introduced for a two-year period in 1997 (see above) have slowed the growth of expenditures. If, however, we take into account the fact that these restrictions are no longer in force, and that a negative growth in the GDP is expected this year, we can conclude that the growth of the percentage of pension expenditures in terms of the GDP will continue. We come to the same conclusion when we analyze the growth of the second indicator – the percentage of expenditures on pension insurance in terms of the state budget.

In observing the position of basic pension insurance with regard to other systems of social security, we discover two different trends. After health care reforms were launched in 1992, pension expenditures declined from 44.8% in 1992 to 40.9% in 1995. In contrast, the status of pensions within the social security structure became stronger following the adoption of the new law on pensions in 1996.

If we wish to assess the history of the development of revenues and expenditures in the basic pension insurance system, we need to describe specific changes in the financing of the system. In 1993 a pension insurance contribution rate of 27.2 percent of the assessment basis (6.8% paid by the employee, 20.4% by the employer) was introduced. During 1994 – 1995 income from these contributions was higher than the expenditures associated with paying benefits. The main reason for this was the fact that the ratio of pensions to wages fell during this period (thanks to a considerable increase in nominal wages). The income from pension insurance contributions was, therefore, able to cover pension expenditures without difficulty. The surplus amount was not capitalized, but rather redistributed for other purposes within the state budget. This approach has been the object of widespread criticism from many quarters, and the current crisis of the system is still often blamed on the consequences of this peculiar measure today.

On January 1, 1996 a special account for pension insurance was opened within the state budget. Any surplus amount in the account may only be used to increase pensions or to cover a negative pension insurance balance, including expenses connected with collecting contributions. At the same time (with regard to the surplus in the system in 1994 – 1996) the contribution rate was lowered to the current 26 percent (6.5% paid by the employee, 19.5% by the employer).

At the beginning of 1996 the new law on basic pension insurance, which further heightened the amount of newly granted pensions, also came into effect. At the same time, expenses connected with paying pensions rose. As a result of these factors, the pension account showed a deficit in 1997. This negative balance is still growing despite changes that were introduced in the system on a short-term basis in 1997 (above all the tightening of valorization criteria). This trend is illustrated in table V/2.

After 1997 the deficit in the pension insurance balance deepened

■ **Table V/2 Pension system revenues and expenditures**

	1993	1994	1995	1996	1997	1998	1999 ¹	2000 ¹
Contribution rate (%)	27.2	27.2	27.2	26.0	26.0	26.0	26.0	26.0
Revenues (billions CZK)	79.7	100.0	116.6	129.8	142.2	151.4	168.7	182.2
Pension expenditures (billions CZK)	79.5	90.5	105.8	123.4	146.4	162.0	171.6	191.3
Administrative expenditures (billions CZK)	1.55	2.00	2.28	2.67	2.55	2.64	3.28	3.49
Deficit (billions CZK)	- 1.4	+ 7.6	+ 8.4	+ 3.7	- 6.8	- 13.2	- 6.0	- 12.6

¹⁾ The estimates for the years 1999 and 2000 are, given the latest figures on economic growth and pension fund revenues, substantially inflated.

Source: MPSV figures

So far, however, the main reason for the growing pension insurance deficit has not been the worsening demographic structure. It is primarily the economic situation in the CR that now plays an important role, and which has led to a decrease in the system's revenues. The current economic crisis has caused an increase in unemployment (in September 1999 the unemployment rate was 9%), a slower increase in wages and thus in the overall volume of contributions, as well as an increase in the number of non-payers of contributions, many of them companies struggling for survival in the economic crisis. This involves, then, a decrease in the number of contributing individuals of productive age, as a consequence of growing unemployment. The large extent of replacement periods, during which contributions are not paid, or advantages for independently economically active individuals are also significant. System expenditures have likewise risen thanks to more frequent use of favorable early retirement structures (above all as a result of the unfavorable situation on the labour market).

At the beginning of 1999, the government tried to introduce an increase of 2.4 percent in the contribution rate for basic pension insurance, i.e. from the current 26 percent to 28.4%, but this measure did not receive the necessary support in Parliament.

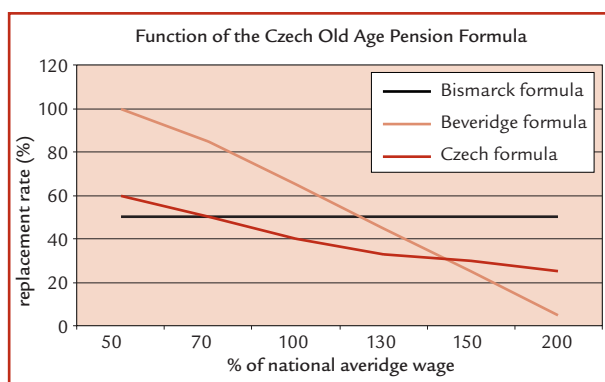
1.3. The pension system's effects in eliminating poverty in old age

It must be said that pensions from the basic pension insurance system are the main source of income for most pensioners. We therefore consider it very important to analyze the working of solidarity within the system and the differences between pensions and, at the same time, to analyze the development of indicators like the ratio between average pensions and average wages and the growth of the nominal and real value of pensions.

In order to analyze solidarity within the basic pension insurance system, the most important matter is to demonstrate how the model for calculating pensions works for various income groups. Its functioning is illustrated in graph V/5, where the ideal functioning in the “Beveridge system” (same amount of pension for all income categories) and in the “Bismarck system” (amount of pension depends on previous earnings) has been added for purposes of comparison.

The pension system has considerable elements of income solidarity

■ Graph V/5 Functioning of the model for calculating old-age pensions



Source: VÚPSV calculations

As a result of re-distribution, the system shows considerable elements of income solidarity. This means that the pension to wage ratio gradually decreases as income increases. According to the existing legal regulations, for newly granted pensions this ratio represents 58% in the case of below-average wages and only 26% in the case of wages three times above average. This is caused by a substantial reduction of earnings, which is decisive for calculating pensions. In calculating those parts of a pension that are dependent on income and the length of the insurance period, earnings up to 6,100 CZK are counted in full, earnings between 6,100 – 13,000 CZK at 30% and earnings above 13,000 CZK at only 10%. The average wage in 1998 was approximately 11,500 CZK.

This system is favorable to pensioners with lower than average wages, while there is a considerable decrease in the ratio in the case of pensioners with above average wages. Increasing solidarity is also seen in the decreasing differentiation of pension payments. During the period 1980 – 1997 differentiation decreased mainly after 1990. We may even observe a trend towards the equalization of pensions. Whereas in 1980 half of all old-age pensions were in the interval of 0.7 – 1.3 times the average pension, in 1988 half of all old-age pensions were in the interval of 0.8 – 1.2 times this average, and in 1997 in the interval of 0.9 – 1.1 times the average.

The reason for this is the introduction of a base pension sum (the “fixed amount”). The valorization of pensions approved in 1994 brought,

The differentiation of pensions payments is decreasing

moreover, an increase in the growth of its share in the total amount of a pension. Currently, the base sum for all pensions represents 1,310 CZK monthly, and corresponds to 23.5 percent of the overall amount of an average old-age pension. Since the new law was put into practice, the percentage of a pension represented by the base sum has increased by three points.

Lower pension differentiation is in conflict with the growth of wages. Whereas wage differentiation has grown substantially (the variation coefficient in 1981 was 35.6%, in 1989 it was 34.2%, while in 1996 it was already 57.6%), the differentiation of old-age pensions has decreased (34.7% in 1980, 28.7% in 1990 and 17.6% in 1997).

An excessively high base sum has led to the growth of those pensions where this component is substantial, that is, partial invalidity pensions, survivors' pensions and early retirement pensions. The relative amount of the individual types of pensions has changed substantially. In 1996 the average amount of partial invalidity pensions represented 63% of old-age pensions, while in 1997 this percentage was two points higher (65%). Orphans' pensions corresponded to 46% of old-age pensions in 1996, and 49% a year later. An average survivors' pension increased to 75% of an average old-age pension. In 1997 the percentage of the base sum in pensions grew to 33% in the case of survivors' pensions, 38% in the case of partial invalidity pensions and 50% in the case of orphans' pensions. In the case of invalidity and survivors' pensions, this represents a growth of five points compared to 1996. The increasing share of the base sum also makes early retirement more advantageous, and leads to a higher number of newly granted early retirement pensions.

During the nineties, the amount of average old-age pensions in the national economy has varied between 43.5 and 55.3% of average gross wages. The lowest level was recorded in 1996, the highest in 1991. The ratio between pensions and wages is the object of ongoing discussion regarding future reform.

The amount of pensions varies between 43.5 and 55.3% of gross wages

Table V/3 Relation between average old-age pension and average wage

Year	Average pension	Average Wage		Relation	
		Gross	Net	Gross	Net
1988	1 496	3 095	2 451	48.3	61.0
1989	1 598	3 170	2 504	50.4	63.8
1990	1 731	3 356	2 656	51.6	65.2
1991	2 176	3 932	3 092	55.3	70.4
1992	2 413	4 644	3 563	52.0	67.7
1993	2 734	5 817	4 551	47.0	60.1
1994	3 059	6 896	5 351	44.4	57.2
1995	3 578	8 172	6 318	43.8	56.6
1996	4 213	9 676	7 520	43.5	56.0
1997	4 840	10 696	8 308	45.3	58.3
1998	5 367	11 688	9 082	45.9	59.1

Source: MPSV calculations

The development of real pension values has been quite uneven since 1989, especially in comparison to the development of real wages. Figures on real values for average old-age pensions and average gross wages in the national economy are given in table V/4. It is apparent that a certain decrease in real pension amounts has occurred since 1989. The development of real pension values was favorable with regard to the growth of real wage values at the beginning of the period. Since 1993 the real value of wages has risen more rapidly.

Table V/4 Development of real values of old-age pensions and wages (1989 = 100)

Year	Average pension	Average wage		Real value (1989 = 100)		
		Gross	Net	Pension	Gross wage	Net wage
1988	1 496	3 095	2 451	94.4	99.0	99.3
1989	1 598	3 170	2 504	100.0	100.0	100.0
1990	1 731	3 356	2 656	98.4	96.6	96.8
1991	2 176	3 932	3 092	81.6	72.2	71.9
1992	2 413	4 644	3 563	79.8	76.8	74.6
1993	2 734	5 817	4 551	75.6	79.6	78.8
1994	3 059	6 896	5 351	76.3	85.8	84.2
1995	3 578	8 172	6 318	80.9	93.1	91.1
1996	4 213	9 676	7 520	87.0	101.3	99.7
1997	4 840	10 696	8 308	91.0	103.3	101.6
1998	5 367	11 688	9 082	88.9	102.0	100.3

Source: MPSV calculations

In general, we can say that the current basic pension insurance system is able to ensure an income above the official poverty line (the subsistence minimum) for pensioner households. In 1996 only 0.23% of the households of old-age pensioners and 2.5% of the households of disabled pensioners were below this line.

1.4. C o n t i n u a t i o n o f p e n s i o n r e f o r m

Up till now the political decision-making processes concerning reform of the pension system have been blocked by symmetrically divided political support for differing conceptions of reform. One example of this is the fate of the latest proposal by the social democratic government for handling the lack of equilibrium between pension revenues and expenditures by increasing the contribution rate. This proposal has no hope of winning a majority in the Czech Parliament, even though the deficit in the pension system is, due to the economic crisis and the end of restrictions adopted in the middle of 1997 (see above), ever more dramatic. Let us return, however, to the views of the various participants and examine them one by one.

Ever since the first days of pension reform, taking care of old people has been the subject of discussions and debates led by several conflicting interest groups. It is thus rather difficult to reach consensus on how to approach future reform measures. Since 1996 most of these discussions have focused on the possibility of introducing combined financing (ongoing and capital financing) for the mandatory pension schemes. The reasons are, above all, anticipated demographic developments and the World Bank's recommendations for reforming the pension system, which are well-known in the CR and have been much discussed. This discussion led to a gradual refinement of the various opinion and interest groups.

A fundamental change in financing pensions – the transition from pay as you go system to a capital system – has been promoted mainly by liberal economists and bankers (especially those from the research departments of banks and capital investment funds). We may call the representatives of this group radical reformers. Their criticism of ongoing financing is based on its high cost and lack of sustainability with regard to future demographic trends. The advantages of the capital system are seen primarily in the limited opportunity for government interference in the system, the growth in volume of investment capital, the reduction of moral hazards and stronger personal responsibility. The Czech National Bank has adopted a similar position. The new system, with its element of pension savings, is meant to bring with it a greater degree of domestic savings, which should support the renewal of economic growth.

Another school of thought urging a change in the model of pension financing is composed of demographic experts from Charles University in Prague and Masaryk University in Brno. They place emphasis on changes

We can observe several lines of thinking on pension reform

that will occur in the Czech demographic structure in the coming years. They claim that the aging of the Czech population will be more pronounced and longer-term than it appears today. Most of their proposals are aimed at changing the pay as you go system of financing into a system of capital financing and raising the retirement age. The former step would introduce the same age limit for men and women, while the latter would increase the retirement age to 65 as of the year 2015.

Cautious reformers – another school of thought, made up mainly of experts active at the Ministry of Labour and Social Affairs and several universities – do not deny the advantages of the fund system, but point out its potential risks. They emphasize that there is still sufficient room alongside both the existing basic system and the system of supplementary pension insurance. They believe that it will be possible to stabilize the existing system over the course of the next few decades, and to gradually test out new and perhaps more radical reform measures.

The last group is made up of experts from the conservative camp (the term “conservative” is understood here as “the least radical”). It includes, in particular, left-leaning experts from the social democratic party, unions and pensioners’ organizations and political parties. They believe that only the system of pay as you go financing can guarantee the real value of benefits and keep pensioners’ standard of living in harmony with the country’s economic development. These experts are convinced that the Czech pension system will not be affected by the current crisis and that the possibilities of modifying it will not be exhausted for another 10 – 15 years. They propose reforming the current system so that it would be able to cover higher pension expenditures over a period of 20 – 30 years. They oppose the introduction of a mandatory savings system, since, in their view, pensioners are not an instrument for achieving macroeconomic goals. Their proposed alternative is the extension and improvement of supplementary pension systems on a voluntary basis. Their greatest common reservation regarding the mandatory savings system is that it is not capable of protecting pensions against inflation, and requires high market and overhead costs.

The current opinions of political decision-makers on pension reform may be concisely encapsulated as two basic developmental alternatives.

The first alternative, the so called continental European reform, is represented politically mainly by the social democrats and the trade unions. The conception of reform now officially set forth in government materials as well was produced by experts from the social democratic Ministry of Labour and Social Affairs. According to this proposal, the pension system is to continue to be founded on two basic pillars – mandatory pension insurance (financed on pay as you go basis) and voluntary supplementary pension insurance (based on capital financing). The amount of the average old-age pension should be around 55 to 60 percent of average gross wages.

**Alternatives for the
future of the pension
system**

Approximately 45 points should be covered by the mandatory system, and 15 points by the voluntary system. The entire system must ensure adequate compensation of income for the low, middle and upper middle income groups.

The development of mandatory pension insurance should aim to fulfill the following principles:

1. The system will continue to be financed on pay as you go basis. The current contribution rate (26%) will not, however, be sufficient to achieve a balanced system. If the legal regulations or the status of pensioners do not change, it will be necessary, according to the Ministry of Labor and Social Affairs' model, to substantially increase the rate to 28% in the year 2000 and 32% in the year 2010. This contribution rate is not feasible for either employees or employers, and thus it will be necessary to seek other financial sources within the pension system as well.
2. The system is to remain uniform, without significant differences from the norm for individual groups of insured people (self-employed persons, civil servants), in terms of the rules for determining both the amount of premiums and the amount of benefits.
3. The hitherto excessively high degree of social solidarity will gradually be limited. Conversely, closer ties between the premium paid and the amount of a pension (the insurance principle) will be reinforced. Adequate compensation of income in the basic system will be ensured above all for the low and middle income groups. Limiting solidarity should take place by means of gradually reducing the share of the base sum in the total amount of pensions as part of the valorization of pensions. However, in the future (over the next 5 to 10 years) it will be necessary to proceed with a more profound change in the structure of pension calculations, as regards ensuring equivalence between paid premiums and the amount of pensions within a pay as you go system. In order to implement such a change, the administrator of the system (the Czech Social Security Administration) will require new technology that will allow it to atomize the process of gathering and supplementing data on insured individuals.
4. The following measures are intended to ensure higher financial stability for the system:
 - tightening the conditions for entitlement to a pension,
 - state payments during the replacement period,
 - modifying the early retirement pension so that the relationship between the amount of the pension and the contributions paid is strengthened,
 - increasing the contribution rate.
5. In order to strengthen the insurance principle in the mandatory basic system and increase the transparency of its financial flows, it will be

separated from the state budget. A new institution will be established for this purpose – the Social Insurance Agency.

6. The offer of voluntary supplementary insurance options should be expanded in the near future, but the importance of the existing system should not be diminished. In any event, it is essential to continue motivating people to participate in supplementary insurance, especially employees with middle and upper middle wages, whose replacement rate in old age cannot be adequately covered by the mandatory basic system. New forms should be developed, above all supplementary employer pension schemes, which exist in all developed countries. Other forms may be based on a commercial principle, i.e. commercial life insurance.

The second alternative – referred to as radical reform – aims in a direction similar to that followed by changes in the pension system in Poland and Hungary. As has already been said, this idea is supported primarily by experts from the banking and financial sector, and is politically represented by liberal and conservative political parties. A scenario for such reform has not yet been published in the form of an official document by the current parliamentary opposition, nevertheless we can identify its basic principles from both official and unofficial statements.

There is, above all, a clear intention to transfer part of the mandatory basic system to new, capital-financed schemes. In order to build this “inter-pillar”, it will be necessary to secure financial resources to cover expenses during the interim period. Resources from the current system can only be partially used. The rest are to come from outside sources, for example, the issue of state bonds. The horizon for completing such a transformation is a distant one. It depends on the extent of the “double” burden on the current generation of working people. Another precondition for reform is the ability of the administrative system (the Czech Social Security Administration) to establish individual accounts for all who are insured and calculate the future claims of all five million insured individuals. But the main problems which must be solved in the event that such a system is introduced are its sensitivity to economic developments and the stabilization of the capital market. Both of these factors have been strongly criticized in the Czech Republic.

2. **Health care**

The need for the transformation of health care was evident even before the end of the socialist era. It was visible, among other things, in the fundamentally different growth of the average life span of the Czech population versus that of other developed countries. While in 1960 the average life span in the CR occupied a leading position on an international scale, over the next thirty years it fell considerably. The need to improve the population’s state of health and to adopt a complex approach to human

welfare was promoted at scientific conferences, but not, however, in government programs.

The general need for a new economic approach to health care was talked about in simplified or one-sided terms, and thus the satisfaction of this need over the course of the transformation years was slow. It was necessary:

- to increase overall resources for health care, but at the same time
- to return to an economic conception of the development of health care.

After 1990, health insurance was re-introduced alongside the hitherto exclusively state resources. Other types of resources were also legalized, such as private payments, sponsor gifts, company resources for purchasing services, the activities of charitable and other institutions, and so on. After several decades of simplified budget management, however, there was a lack of experience in regulating the market and standardizing the economy at the outset of the transformation process. This had unequivocally negative consequences.

Although health care institutions began to act independently, the forms of an extensive transformation of health care had not been precisely defined. Only during the process of transformation did the interests of institutions as well as individuals become diversified, and this significantly influenced both the effectiveness of the transformation and the activities of the health care system. At the beginning of the nineties, the legal code was tied to the former situation under socialism. Thus, at the present time, a system of health care (health insurance) exists alongside a system which is part of a more broadly-conceived system of social security, and which provides cash benefits in the case of illness with no direct relation to the costs of treatment, prevention and rehabilitation.

2.1. Key elements of transformation and their succession

The beginnings of the transformation of health care after 1989 were tied to the transformation of society as a whole, and to the need to improve the results of health care, on the one hand, and economic management, on the other. The key elements of transformation were thus the transformation of institutions and activities.

The transformation of health care may be divided into several phases. A brief overview of these demonstrates to what degree the key elements have been fulfilled.

- The period from 1990 to 1991 was a time of preparation for basic changes and the introduction of these changes. This mainly involved dissolving previously centralized systems and granting independent status to activities by health care facilities. There was still talk of reform in this phase, but it was obvious that the entire system had to

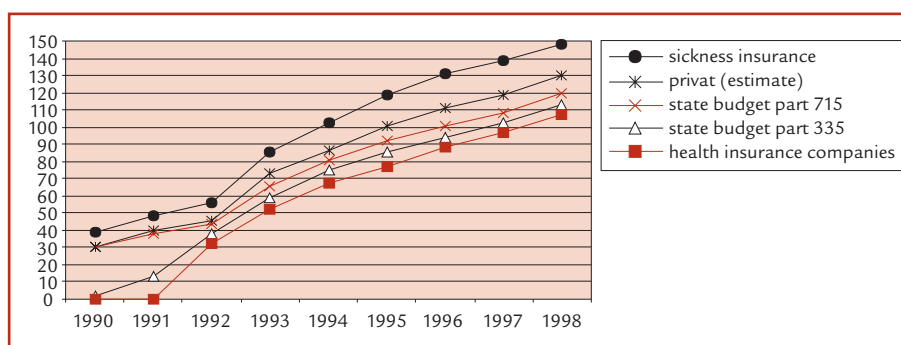
be transformed. Therefore, in subsequent phases it was transformation that was spoken of.

- In 1992 a new method of financing began, and the foundations for the privatization of health care were laid.
- In 1993 actual privatization and financing by means of health insurance began. At the same time, certain discrepancies and problems began to emerge.
- In 1994 and 1995 these problems appeared in their full magnitude, and health care workers no longer concealed their dissatisfaction.
- Since 1996 it has generally been accepted that the conception of reform must be changed. However, criticism and a search for the guilty parties outweigh attempts to learn something from the reality of the great experiment.

The foundation of the system of resources for ensuring citizens' needs in the area of health and illness is insurance and the state budget. Other sources (grants, donations, pre-paid health care for a company's own employees, and so on), which contribute to the economic management of individual health care facilities, are not centrally monitored. The development of sources of financing for health care is shown in graph V/6.

The principal source of health care revenues is health insurance

■ **Graph V/6 Health care expenditures by type of source (in billions CZK)**



Source: VÚPSV calculations

Since 1992, the decisive source of financing has been health insurance. The assessment basis for determining health insurance premiums (as well as premiums for sickness insurance) is:

- for employed persons, the total accounted income earned in connection with the performance of their work, with the exception of certain kinds of income,
- for self-employed persons, 35% of the income from their business activities and other independent gainful activity, after deducting expenditures made in order to earn income,

- for persons without their own income (and also for pensioners), at first, 80% of the minimum wage. In 1998 this principle was altered, and the assessment basis became the sum of 2,900 CZK.

Table V/5 shows premium rates based on the assessment basis.

Table V/5 Premium rates for health and sickness insurance (in %)

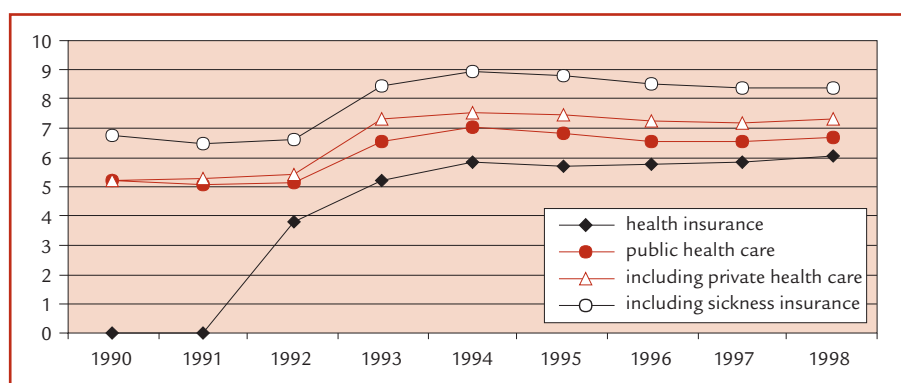
Insurance	Health	Sickness
Employee (insured)	4.5	1.1
Employer (payer of premium)	9.0	3.3
Self-employed person	13.5	4.4

The state pays health insurance premiums for certain groups of people without their own income (pensioners, school-age children, dependent children who have completed their mandatory education, women on maternity leave, and so on). The state's payments are made to the special account of the General Health Insurance Agency, where re-distribution of resources for all insurance companies is carried out, based on the structure of their insurance customers (the number of payers and non-payers and the age of those insured are important). These resources are comprised within the resources for health insurance. The state puts other resources into the investment and non-investment activities of the institutional sphere.

Collecting premiums and reimbursing health care facilities for their activities is overseen by the now quite stable system of health insurance companies. During the first three years there were 27 of them, after which the number subsequently fell to the current ten.

Public expenditures on health care (health insurance and the state budget) represent around 5.2 – 6.7% of the GDP, the maximum having been reached in 1994. In foreign countries, the same indicator represents from 6.7 to 8.4% of the GDP.

Graph V/7 Relation of health care expenditures to GDP (in %)



Source: VÚPSV calculations

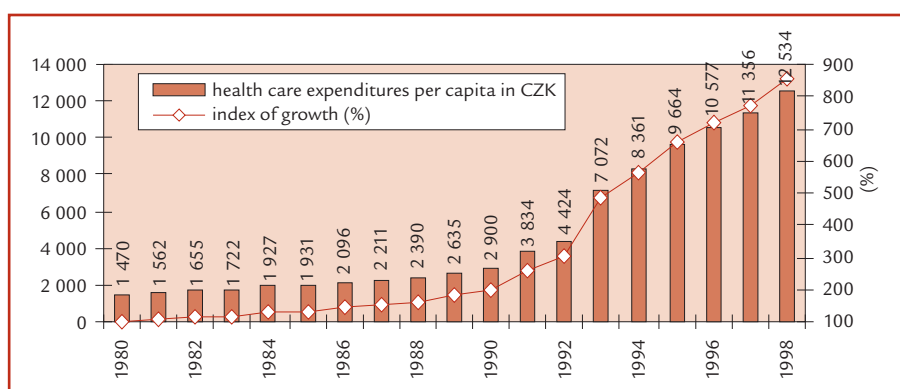
Health care has undergone a fundamental transformation from the point of view of the structure of facilities. Its overall size has hardly changed. The number of state facilities (mostly hospitals) was entirely stable until 1996, when it fell to below 100. Other public facilities reached their upper extreme in 1992 (833), after which time their number fell to as little as half of this (421 in 1997).

On the other hand, in January 1993 there were already nearly three thousand private facilities, and this number has grown each year, reaching 22,500 in 1997. Nearly 17,500 of these represent independent physicians' offices.

The overall nature of the transformation of health care can be seen by referring to the dimension of the economic transformations that occurred during the nineties, with regard to the preceding period as well. This can be demonstrated with the help of, for instance, the indicator for health care expenditures per capita. In the CR, figures for health care expenditures per capita consist of public health care expenditures (not support during illness, private payments, etc.).

In the nineties public health care expenditures increased 4.7 times

Graph V/8 Health care expenditures per capita 1980 - 1998 (in CZK)



Source: VÚPSV calculations

While during the eighties expenditures on health care rose slowly (by 180% up to 1989), in the nineties they increased 4.7 times (they therefore increased 8.5 times between 1980 and 1998). In per capita terms, this represents a growth from 1,470 CZK in 1980 to 2,600 CZK in 1989 and 12,500 CZK in 1998. At the same time, the number of inhabitants has changed only slightly, and so these figures also give an approximate indication of the growth in volume of public health care expenditures during the given period.

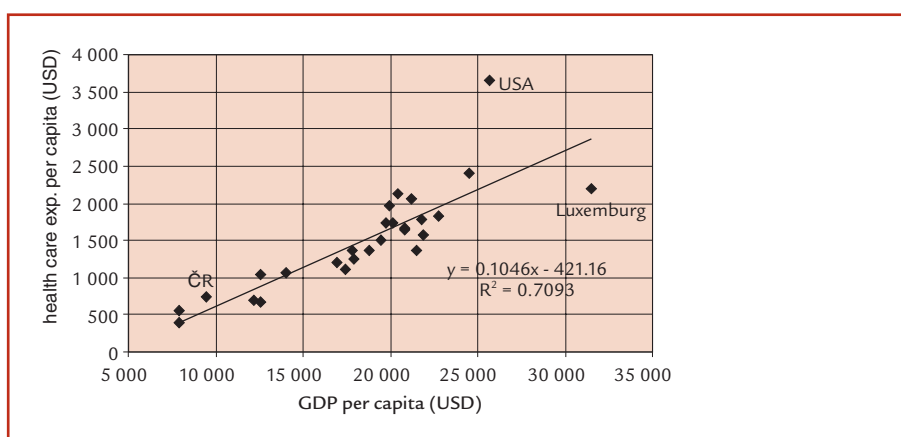
A dramatic increase in the level of health care had already occurred during the first years of transformation, but the year 1993 represented a turning point. Following the enormous growth of health care revenues and expenditures in that year, it was no longer possible to continue with further development at the same rapid tempo. The tempo of the growth of revenues as well as of expenditures slowed, which caused dissatisfaction among health care workers.

An international comparison of health care expenditures per capita, taking into account the level of the economy, is given in graph V/9. According to the situation in the year the comparison was made, the average expenditure of approximately 750 USD PPS/capita represents around 7.9% of the level of the GDP (9,500 USD PPS/capita), which is comparable with many developed countries. The graph shows a comparable level of expenditures in terms of the level of the economy in the majority of countries.

In conditions in the CR:

- the population has experienced the improvement of facilities and the introduction of new technologies, foreign medicines have become available, and so on,
- health care workers have voiced dissatisfaction at the low level of expenditures per capita in comparison with other countries (unrelated to the level of the economy).

Graph V/9 International comparison of health care expenditures per capita



Source: VÚPSV calculations, OECD

In 1998, in-patient care was provided in the Czech Republic by a total of 216 hospitals with 69,450 beds for acute cases, as well as by 165 specialized treatment facilities (STF) with a total of 22,000 beds and 53 spa treatment facilities with a total of 19,950 beds. The bed capacity in hospitals is gradually and slowly decreasing. In this same year there were 110 beds per 10,000 inhabitants. For each physician in a hospital there were 4.7 beds, and 33.4 beds in specialized treatment facilities.

The out-patient care system is made up of primary care and specialized out-patient care. Primary care is provided by the network of practicing physicians for adults, practicing physicians for children and young people, out-patient gynecologists and dentists. There was one practicing physician for adults (per 1 case) for each 1,800 people over the age of 15. The overwhelming majority of practicing physicians for adults (95%) worked in the non-state sector. In the case of practicing physicians for children and young people (96% in the non-state sector), there was 1 physician for an average of 1,100 – 1,200

The number of hospital beds is decreasing

children. In the case of out-patient gynecologists, the average was 5,100 – 5,200 women per physician. 97% of all out-patient gynecologists worked in the non-state sector. Dentists (98% in the non-state sector) had an average of 1,800 people in their care.

Specialized out-patient care is represented by two networks of health care facilities. The first network consists of 4,910 independent, mostly private facilities, at which nearly 6,000 specialized out-patient physicians and more than 13,000 nurses are employed. The second network consists of the out-patient divisions of 215 hospitals, where 5,600 physicians and more than 26,300 nurses and central health care personnel work.

Table V/6 Number of health care facilities, physicians and beds between 1996 and 1998

	Facilities			Physicians ¹			Beds		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
Hospitals	217	217	216	14 863	14 790	14 773	71 587	70 457	69 450
Total STFs	212	222	218	1 250	1 256	1 254	42 711	42 258	41 937
O-P - prim.	12 759	12 713	12 818	12 796	12 788	12 947			
O-P - spec.	4 663	4 834	4 930	4 002	4 338	4 570			
O-P - other	–	3 828	3 878	2 278	2 137	1 955			
ZZZ	–	574	531	374	384	421			
Pharmacies	1 517	1 626	1 714	7	8	6			
Hyg.services	86	86	90	689	691	693			
Other	–	103	117	199	282	64			
Total	–	24 207	24 513	36 454	36 675	36 686	114 298	112 715	111 387

¹⁾ These are converted figures (FTE) – they cannot be directly compared to other countries.

Source: ÚZIS

The development of the total supply of hospital beds during the transformation years may be divided into two phases:

- In the period from 1990 to 1994 there was a first, spontaneous reduction in the number of hospital beds. This was connected to the rapid equipping of hospitals and in-patient facilities with technology, the transition to new methods of treatment and, also, the introduction of payment by means of health insurance.
- The second wave, after 1994, saw a further reduction of hospital beds. In this period these changes were planned to a certain degree, probably in connection with the search for ways to increase hospital earnings as part of health insurance payments, but also with the search for methods of cutting costs.

In the first of these waves, the total number of hospital beds decreased by approximately eight thousand. This development was linked to the possible

and natural adaptation of capacities in developing fields and in fields which had been over-dimensioned in the past.

The overall availability of physicians is an important factor. Of the total number of 228,000 workers in health care (converted, not actual figure), nearly 36,000 are physicians, 104,000 are central health care workers and 43,000 operational staff. Approximately 114,000 people work in hospitals, 35,000 in other in-patient facilities and 54,000 in independent out-patient facilities.

2.2. The future of the transformation of health care

It is positive that the situation in terms of the health state of the population began to improve rapidly after 1990. However, a great difference between the CR and other countries can still be perceived. This fact should have a mobilizing effect, and such comparisons should be used in defining goals for the further development of health care.

It goes without saying that progress is not caused only by changes in health care, but is also influenced by the overall climate in society, care for the environment, the level of social security, the level of culture, and so on. In forming subsequent phases of the transformation of health care, it is also important to proceed from an assessment of unfinished tasks of the transformation hitherto, from specific points that are sometimes forgotten about, and from the need for a more thorough integration of procedures.

Many of the expectations and some of the goals of the health care reform between the years 1989 and 1991 derived from negative experiences regarding the status and opportunities of health care workers in the socialist health care system. Before the reform, health care workers had lived for 40 years in a non-market environment, and were not prepared for the differences of life in a planned, competitive one.

The process of adaptation to a new, changing environment was difficult and, for some health care workers, shocking. Many of them focused their attention on actual problems, and a number of tasks that had been jointly defined were left aside.

It is worth noting that before 1989 there had long been criticism of the low level of use of modern technology in Czech health care, its isolation from worldwide health systems, and so on. As a result, while the extensive number of hospitals, polyclinics and physicians was made use of, their effectiveness was poor.

At the outset of the reforms, emphasis was placed primarily on the need to make health care workers take greater interest in both the quality and quantity of their work, the necessity of slimming down health care (the free choice of physicians was to exclude those whose work was not wanted),

The transition to a new environment was a shock for some health care workers

increasing the prestige of the health care professions (above all of physicians) and overcoming money problems.

Time has shown that the foundation stones were the right ones. Without privatization it would not have been possible to increase individual responsibility among health care workers, without a return to insurance it would not have been possible to significantly increase the level of finances flowing into health care. However, some serious problems connected with this have still not been solved. This refers in particular to changes in the quality of management on all levels, as well as in the ethical climate (wages cannot be increased for everyone at the same time, when those whose work is not needed are to leave the system), the social climate (there can be no promise of free coverage for everything that had been provided earlier at a low technical standard, and which, with a substantial increase in technology, will be more expensive) and the economic climate (more money cannot be paid to all components of the system at once, when those components that are economically ineffective have not been eliminated, and increasing income for all of them may cause their ineffectiveness to grow still further).

3. **State social support**

The paternalistic family policy of the socialist state brought extensive state authority into many areas of family life. The need for its transformation was formulated in the planned strategy for social reform as early as 1990. The basic principles and points of origin in the area of social policy were already defined under the former Federal Ministry of Labor and Social Affairs. Their logical outcome was the previously mentioned and variously interpreted three-pillar system of social security, one part of which was to be the system of state social support.

The aim of this system was to:

- unify the benefits provided to families with children into one system (e.g. the child allowance was a sickness insurance benefit, the upbringing allowance for pensioners was a pension system benefit, the parental benefit was a state benefit, the allowance paid for the birth of triplets was a social care benefit),
- newly define the basic conditions and principles of individual benefits; emphasis was to be placed on the transformation of the most important benefits, i.e. the child allowance and the state compensatory allowance,
- provide for social situations that had not been dealt with previously (the new housing benefit and transport benefit were established).

The principle of participation was to intended to be the basic point of origin for the entire system. Through the system of social support for citizens, the state would make contributions to families in the event of acknowledged

social occurrences. A social occurrence in this sense was understood as the presence in the family of persons not yet gainfully employed, thereby increasing the family's expenses. This definition was supplemented by the principle that benefits were to deal with various social situations in which the family's own powers and resources were not sufficient. This became the cornerstone for the future targeting of recipients.

The principle of solidarity in the new system was to have been founded on two basic, mutually converging levels of re-distribution. The first of these was an expression of solidarity between high-income and low-income families, and the second of solidarity between childless families and families with children. This approach to dealing with social situations simultaneously reflects an individually targeted approach, on its first level, and universality, on its second. Under the system of state social support, benefits which may be claimed exist alongside benefits to which an entitlement arises only after the family's overall income situation has been tested.

**State social support
comprises both basic
types of solidarity**

Between 1993 and 1995 a discussion gradually developed regarding the mutual relationship as well as the structure of these family benefits. The original plans (nearly all benefits were to be paid on a direct individual basis) were gradually modified during legislative preparations, the approval procedures and, later, throughout 1996, in such a way that the principle of targeting recipients was weakened.

Another frequent topic of these conceptual disputes was speculation as to the active role of family allowances within family policy. Public discussions produced a conceptual statement of position from the decision-making institutions, which influenced the shape of the system of state social support. This essentially took the following as its point of departure:

- There has been a gradual increase in the CR of the age at which people enter their first marriage, and a decline in the average number of children in the family.
- Regardless of the status of the social security system, the birth rate and the number of children in the family is declining in all developed countries (conversely, it is disproportionately growing in countries where no social benefits are to be expected).
- The reasons for these tendencies are not economic in nature. Rather, they are general in nature, and bear little relation to the conception of social policy.

The government approved the draft law on state social support on December 14, 1994. According to this draft, all benefits were to be income-tested, with the exception of the foster care benefit. This proposal was fundamentally modified during coalition negotiations prior to the law's approval by the Chamber of Delegates of the Czech Parliament. The parental benefit, the charitable benefit and childbirth and funeral benefits were now to be flat-rate payments, regardless of the income of the jointly assessed individuals. The period for

providing the parental benefit was extended, and the child allowance was substantially modified. The income limit for receiving the housing benefit was increased to 1.4 times the family subsistence minimum, thereby increasing not only the number of recipients of these benefits but also their total amount. The precise targeting of benefits in the system was thus partially diminished, and benefit expenditures increased (by approximately 2.4 billion CZK in 1996).

Based on the delegates' proposals, an amended version of the law on state social support (no. 137/1996 Sb.) was passed in April 1996. This amended law extended the definition of dependent children to include an individual marrying a person who is not a dependent child, as well as secondary school and college students studying abroad. The transport benefit was also modified with regard to persons travelling to school abroad, with commuting from one part of a community to another also being included, and the groups of children entitled to this benefit more precisely specified. Also, the minimum amount of the social allowance, the housing benefit and the transport benefit was set at 50 CZK per month. Some of the changes made, for instance, definition of the minimum amount of certain benefits, again slightly diminished the precise targeting of benefits in the system.

The system of state social support was put into practice in two phases. In the first phase (after October 1, 1995) the provisions of the law concerning benefits provided regardless of the amount of income of the jointly assessed individuals (the parental benefit, the charitable benefit, childbirth and funeral benefits and fostercare benefits) entered into effect. In the second phase (after January 1, 1996) the provisions of the law based on which income-tested benefits (child allowance, social allowance, housing benefit and transport benefit) are provided came into effect.

The basic instrument for implementing the state social support system is the institution of the subsistence minimum for individuals or households [see Chapter VI]. The subsistence minimum is the state-recognized minimum amount needed to ensure nourishment and other basic personal needs.

This is used in the state social support system in two ways:

- to define the standard of living of households and subsequently create income categories that define entitlement to benefits (in the case of benefits paid in the same amount to all households entitled thereto) or for the purpose of determining the amount thereof (in the case of benefits for which, once granted, the amount is dependent on the overall income situation),
- to determine the actual amount of benefits, which are mostly defined as multiples of the subsistence minimum of their recipients.

In general, then, the conditions for claiming individual benefits and the amount thereof are dependent on the amount of the subsistence minimum. Valorization ensures that both the subsistence minimum and the entire state social support system are maintained at a real level.

The system of state social support is based on the subsistence minimum

The condition for entitlement to benefits is permanent residence status in the Czech Republic for the entitled individual and, in the case of benefits dependent on income, for the other jointly assessed individuals as well. In determining entitlement to benefits, only a family's income is tested, not its property. A family is basically understood as parents and dependent children, or other individuals who factually perform these roles, living together in a common household. The housing benefit is an exception, in that here a family is regarded as all persons using a domicile and registered as permanently residing there.

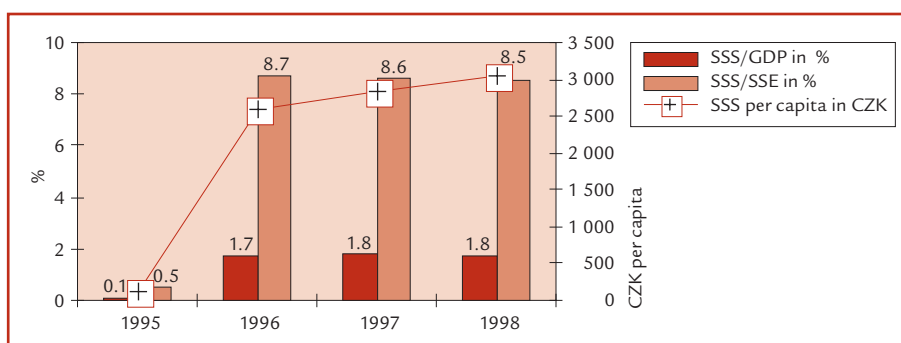
Besides changes in the structure of individual benefits, there was also a change in the payer of these benefits. In the past, family benefits were paid by employers and the district social security administration (in the case of small organizations, self-employed persons and the unemployed). With the ongoing economic transformation, the number of employers increased considerably (from 8,000 at the start of 1990 to around 33,000 in 1995) and verifying the correct payment of individual benefits became difficult to manage. Considering the fact that the transition from flat benefit payments to a system functioning on a targeted basis is accompanied by an increase in the amount of data monitored and evaluated, it was essential to entrust payment of these benefits to the district government office, as the lowest unit of state administration.

An entitled person submits a written request for benefits on the printed forms prescribed by the Ministry of Labour and Social Affairs. The district offices then decide on the actual benefits. The appropriate district office is determined by the place where the entitled person has been registered as permanently residing.

The basic economic indicators for the growth of the system of family allowances are, above all, the volume of expenditures on these benefits and their share of the gross domestic product and the state budget. The share of these expenditures in the total expenditures of the system of social protection is also important.

The system of administration has changed as well

Graph V/10 Expenditures on state social support as a percentage of GDP and total social security expenditures



Source: VÚPSV calculations

Family benefits were unified into the new system of state social support, which is, from the point of view of the flow of finances, entirely dependent on the state budget. It is, therefore, a system financed by the taxes paid by the general population. In the broader sense of supporting families with children, however, we must also consider the existing system of tax deductible items – deductions for children and for an economically inactive spouse. These transfers likewise play a substantial role.

Currently, two basic views on the conception of future changes in the system of family support in the Czech Republic may be observed. As it happens, both concern the co-existence of two mechanisms – the system of state social support and the system of items deductible from personal income tax.

The first of these views claims that these two systems often work in contradictory ways, and that it would be useful to consider the possibility of transferring deductible items (above all for dependent children) from the tax assessment base for personal income tax directly to the child allowance. This would supposedly make it easier to influence the level of support for low and middle income households. Proponents of this view claim that the state social support system represents a better targeted and socially more just form of transfer to families with children than the means afforded by the system of insurance and taxation.

The second view, on the other hand, proposes transforming the child allowance into a universal social benefit and burdening high income families in the tax system. Here the argument is based mainly on the administrative demands of the current system, criticizing its bureaucratic nature and the insensitivity of its approach to the “civic comfort” of benefit recipients.

It is obvious that there must be an awareness of the interconnectedness of these two systems. It is also likely that, in the future, the co-existence of a targeted system of child allowances and tax-deductible items will not be justified, or that these two technologies will not be logically interconnected, something which is, moreover, claimed and demonstrated by both of the conceptions described above.

Attention is being paid to the co-existence of state social support and deductible items in the tax system

4. **Social assistance**

In the socialist period, the social security system lacked a dynamic construction mechanism for calculating benefits, as well as a mechanism for valorizing them that would respond to current life situations. The state monopoly also did not create room for initiatives by local administration and autonomous organizations, nor did it motivate clients to deal actively with situations that arose. Above all, the social security system under socialism was not designed for a conceptual solution of those social situations whose existence was denied or artificially suppressed by society (unemployment, drugs, prostitution, poverty, homelessness).

After 1989 the state sought a way of dividing social services up again among a number of participants and an optimum manner of giving the family and the local community back their primary responsibility for social assistance. We may call this process the beginning of the return to civic society. The precondition for this was to create basic institutional-organizational conditions and assist in creating social conditions. The changes which social assistance is undergoing at the present time are aimed at individualizing benefits and making their arrangement clearer. Prior to 1989 there was an impenetrable amount of both one-time and regular benefits, as provided by various entities. The complex mechanism of various benefits persists to this day.

In 1990 and 1991, when experts were holding discussions on the basic elements of the new system of social security, several activities came into the forefront. On the level of short-term measures related to the social reform scenario, the so-called social safety net emerged. During this transitional period, the state felt greater responsibility for the social situation of its citizens. The liberalization of prices and its impact on the growth of the cost of living, the formation of the labour market and its influence on the growth of wages, and the development of private ownership and its influence on income and property differentiation had varying consequences for the social structure of society.

Two types of activities pertain to the social safety net – active employment policy and social protection of citizens (passive policy). It was necessary to deal with poverty for humanitarian reasons as well as in order to maintain political stability and protect the process of the transformation of society. Laws directly connected to solving the problem of poverty were passed – the law on the subsistence minimum and the law on social neediness. The actual system of social assistance was to be handled last, so that it would be able to function like a net below insurance and support.

In the social sphere, it was necessary above all to eliminate the state's monopoly and seek sources of financing from all participants, that is, citizens, the state, communities, providers and, last but not least, the client's family. The area of state administration had to be made more accessible to citizens, and its means of assistance had to be humanized. The types of social assistance provided needed to be expanded, and had to be provided not only ex post, but also in the form of effective prevention. In 1994 the requirement that the system of providing subsidies to non-government organizations be changed was added to these priorities in the CR, mainly at the insistence of researchers, workers in the field and organizations for the handicapped. Flat subsidies for projects were to be transformed into per capita contributions for social assistance clients.

Three main lines of development in the area of social assistance may be observed:

- a transition from defining groups of citizens to defining situations of need,

The main goals of the system of social assistance are to provide individualized benefits and to make their arrangement clearer

- a transition from providing benefits to a more extensive offer of services, including counselling,
- pluralization of social assistance service providers.

A new separate law on social assistance is still being prepared in 1999. At present, this agenda falls under the heading of social care. It contains provisions concerning both material need and social need, benefits as well as social services. The state continues to retain its strong position in financing. It is considering shifting administration of the system from the center to the communities, which are also part of public administration. The proposal was built on a precise definition of the role of the state, communities and non-government entities and the relations between them. One very important point of the proposal is the definition of the financial relations between all these entities.

We still find the basic provisions of the third pillar of social assistance in the often-amended law on social security. This law defines those groups which are primarily concerned in social care. These include:

- families and children,
- the handicapped,
- elderly citizens,
- people who require special assistance,
- people who cannot adapt socially.

There have been no fundamental changes in the area of legislation on social assistance so far. A change in the name of the system from “social care” to “social assistance” is to be made. Social care will remain one of the social assistance services, namely, actual care for needy clients. The newly-conceived system of social assistance is based on respect for the traditional role of the family, which should be the basic source of a person’s social security and sovereignty. Social assistance becomes subject to claim when certain conditions are met. Social assistance is to allow the client to achieve the ability to lead a self-sufficient life in society. The social safety net is not thought of as a fisherman’s net, from which there is no escape, but rather as a trampoline, which no one can fall under.

The change in the financing of social assistance is meant to be a very important one. The state is to provide a social income such that the citizen himself can choose the service that best suits his individual demands. The state is to be the guarantor of the classification of the handicapped, and is to ensure sufficient supervision of social protection for citizens, including protection under social law. It is to grant providers of social services subsidies for their operations and define uniform accreditation conditions for them. Other strategic points include:

- a system of active social work (the term “social work” is used in the proposed law for the first time),

There have been no fundamental changes in the legislation so far

- making services as accessible as possible to citizens according to the subsidiary principle, on the community and nongovernmental organization level,
- providing subsidies on a per capita, not per bed basis,
- targeted providing of benefits by only one office,
- more effective use of relatives' alimentary obligation and better provisions for co-participation by the client,
- the citizen himself as an active participant in social assistance, whose state of need does not relieve him of civic responsibility for himself,
- separating local administration from state administration.

According to the proposal, providing assistance to self-employed persons is not ruled out; however, this makes assessment of income more complicated. It is taken for granted that income from private entrepreneurial activities is sufficient, and the client must prove the opposite.

According to the new model, two basic groups of social services should exist. The first type is social care services, provided to people who, as a result of the loss or limitation of their physical or mental autonomy, require help in satisfying their basic vital needs. In the area of social care, the proposal distinguishes four categories of client dependency on social assistance. Various point evaluations of handicaps are derived from these, and therefore various amounts of social benefits as well. The aim is to strengthen or replace the lost self-sufficiency of such people, and specifically to attain a condition in which the person himself chooses the provider and "pays" him using his points. Another aim is to enable personal assistance, instead of a stay in a social facility, in all cases where the circumstances permit this.

The second type is social intervention services, through which prevention of pathological phenomena, protection under social law and crisis intervention (asylum homes, etc.) will be implemented. Their goal is to help citizens overcome difficult life situations.

The financing of both types of services will come from a number of sources. Payment by the client himself will sometimes be merely symbolic, based on the type of service.

The "administrative code" applies when providing social benefits of any kind. The Czech Republic still does not have a Supreme Administrative Court, which somewhat complicates possible appeals.

Among the chief inadequacies of the current system of social care are the following:

- The role of social work often has a divided function, since, on the one hand, the social worker is to work as closely as possible with citizens and help them, and, on the other hand, benefits specialists use him in "field surveys" for granting benefits.

The existing system has a number of inadequacies

- The current legal regulations do not allow differentiation of the amount of cash assistance provided according to the duration of a state of need or efforts by citizens to resolve their situation.
- Social care clients are not motivated to increase their own income, for instance, by forgoing part of their work or social income.
- Payment of social benefits is carried out by various entities. Due to the division of powers, coordination of the activities of the individual entities is limited. Once-only benefits are paid by the district office (a local administrative unit), specially empowered local government offices are authorized to pay regular benefits, and the district office (state administration) provides loans and meal contributions. The roles of the community and the state in the benefits sphere overlap.

The most important element of the structure of social assistance is meant to be the plurality of its participants, whose relations should be based on the subsidiary principle and equality. The institutional structure is formed by state administrative and local administrative bodies and the institutions established by these bodies. It also includes nongovernmental, non-profit organizations, foundations and funds. During the first period of transformation, when this essential plurality of providers is only being formed, and when it is the state which is transferring its powers to other participants, the state is also responsible for the image of the relationship between providers and clients that is created by the public. Likewise, the state is responsible for winning public support.

The state has a conceptual, initiatory, coordinating and regulating function in the system of social care. It also has an undeniable role as the financier of social policy, and thus the financier of legally-guaranteed social benefits as well. On the local level, communities and cities are joining the state in playing this role. Besides institutions active on a nationwide basis and directed by the MPSV, specific social services are also provided by non-governmental organizations, associations, charities, communities and district offices.

In order to ensure the protection of persons to whom social services will be provided, the proposed law introduces accreditation for service providers. The state will also provide inspection of the manner in which all forms of social assistance are provided by all entities. The state retains its exclusive role as the guarantor of the subsistence minimum, leaving the payment of benefits to specially empowered local government offices. The state will ensure the protection of citizens under social law. The district offices will be concerned primarily with prevention and intervention services, which must, from the point of view of the healthy development of society, be on a level higher than local administration. Ensuring social care services will increasingly be a matter for communities and nongovernmental entities.

The consequences of the state's paternalistic approach to safeguarding certain defined groups of the population before 1989 are still felt by large

parts of the population of the former federation. A 1993 VÚPSV investigation on local social department activities and a 1998 investigation on low-income groups revealed that a large number of social workers are convinced that clients abuse any sort of benevolence offered to them, as well as the opportunity to obtain social benefits. For this and other reasons the proposed law does not define precise conditions of entitlement to benefits, rather it standardizes procedures for determining people's needs.

The current system of social care is specific in terms of its type of clients. These are mainly people in need – material or social. An individual himself requests a certain form of social assistance, or social workers respond to information from people around him or a physician. Activities by social departments themselves in seeking out needy clients still do not function well – for the most part, social workers use up all their energy paying out benefits and performing other administrative activities. It is therefore not surprising to find that complaints regarding the providing of social services, specifically nursing care and institutional treatment, hardly ever appear.

The Czech Republic has a rich history of voluntary work and charitable associations dating back to the period of the First Republic. The totalitarian regime, however, ruthlessly did away with the activities of these associations, seeing in them a potential center of resistance.

The number of socially-oriented nongovernmental non-profit organizations reached 1,600 in 1995, for instance. Although this figure is less than a third of the number of voluntary social associations in 1934, a certain growth in the non-profit sector may be observed. The traditionally dense network of these organizations has created good conditions for introducing and developing the system of social assistance as a pluralistic one.

Non-profit organizations assume differing legal forms. Civic associations, foundations and goal-oriented church institutions (above all Catholic charities and Evangelical diaconias) correspond to international norms in the sphere of nongovernmental, non-profit organizations. Up to the autumn of 1995, civic associations, foundations, charitable and other non-profit organizations were governed by the provisions of the Civil Code and, in particular, the aforementioned law on citizens' associations. The legal framework for the existence nongovernmental, non-profit entities in the social sphere was redefined by the law on public utility organizations.

The non-profit sector has been active primarily in establishing and operating asylum facilities (activities which are often nationwide in scope). Further, they compete with state nursing care in providing home care services and personal assistance. A few private pensioners' homes also exist in the CR, but this is a more marginal area of non-profit organizations' activities. Nongovernmental non-profit organizations communicate with state government offices mainly in connection with requests for subsidies. Otherwise, after the granting of permission by the Ministry of the Interior,

The role of non-governmental, non-profit organizations is growing

their activities are not limited in any way. Their professional quality is, according to the proposed law, to be ensured through the accreditation of entities which intend to provide social services. As far as services on a nationwide scale are concerned, accreditation will be granted by the MPSV, and in other cases by the district offices.

It is true in general that services by nongovernmental non-profit organizations focus first and foremost on those forms of assistance which have long been lacking here, or which deal with newly-arising problem phenomena (the homeless, refugees, drug addicts, and the like). The mentally ill, the mentally handicapped and people in wheelchairs have come to the forefront of attention. New forms of assistance based on an individual approach, which acknowledge the handicapped individual's personality, are being developed.

The majority of these organizations provide more than one type of service, addressing one or more target groups of people. In the social sphere, organizations focusing on children and young people are met with most frequently – whether these are involved in leisure-time prevention activities or in organizing integration programs for the handicapped. Organizations with a broad spectrum of social assistance for a variety of social groups – asylum facilities for people in need and the like – are significantly represented; these are often Christian in orientation. In the area of health care, the largest number of organizations unite people with a certain illness or handicap, or the parents and friends of those affected. Initiatives dedicated to the diseases of modern life or the problem of AIDS are growing in number. The number of associations for people with sensory handicaps has traditionally been high. A certain portion of these organizations, mainly foundations, have been established in conjunction with health care facilities (including state facilities). These serve to supplement financial resources or to purchase medical technology.

The level of quality of social services provided by nongovernmental entities differs from that of the services provided by state facilities. As a rule, services provided by nongovernmental organizations are on a higher level, while operating costs are lower. There are problems with financing the activities of these organizations. They obtain their funds mainly from state and local city and community administration sources. The existing tax laws do not create adequate room or motivation for businesses to sponsor social activities by nongovernmental institutions. The role of the state in the area of subsidies for nongovernmental social services is very considerable at present. Nongovernmental non-profit organizations are approximately 90% financed using state budget funds (through the ministries, municipal government offices or district offices).

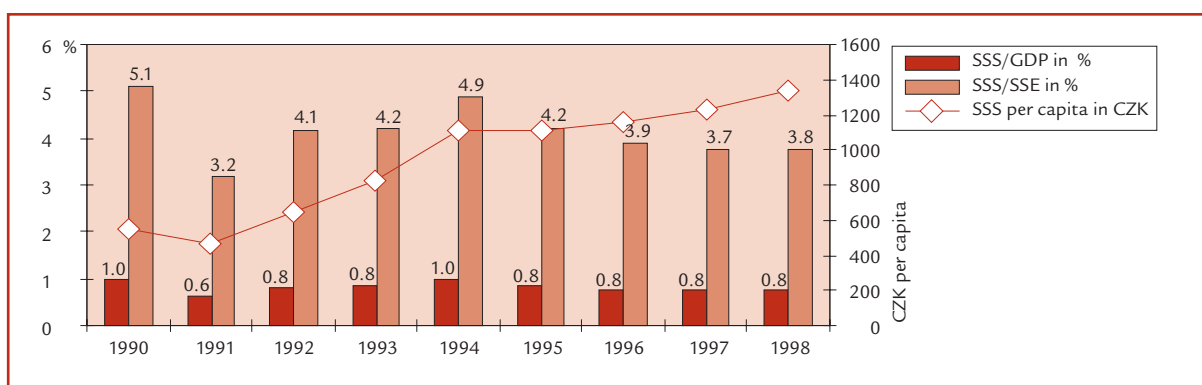
The number of paid, professional employees of nongovernmental organizations is gradually rising. A trend towards gradually professionalizing previously voluntary organizations may be observed. Among the individual

organizations, however, mistrust of creating any kind of center still persists, resulting in fragmentation, a lack of mutual awareness, the squandering of strengths and resources and, also, the inability to obtain information about the number and structure of needy people. The role of nongovernmental non-profit organizations, like the role of communities as the providers of social care services, should be significantly heightened based on the subsidiary principle.

In 1990 expenditures on the entire system of social care reached 5.7 billion CZK (1% of GDP). After a drop in 1991, expenditures returned to their original share of the GDP in 1994, representing 11.5 billion CZK. Between 1995 and 1998, expenditures represented 0.8% of the GDP, and in 1998 their absolute amount was 13.8 billion CZK. During the last nine years, the ratio of expenditures on services and benefits has changed. Whereas in 1990 most of the money was spent on social care benefits (3 billion CZK versus 2.7 billion CZK on social services), in 1998 the resources were divided in favor of services (4.1 billion CZK on benefits and 9.4 billion CZK on services). More detailed figures regarding this development are provided in graph V/11.

Expenditures on social assistance

Graph V/11 Expenditures on social assistance with regard to gross domestic product and total expenditures on social protection



Source: VÚPSV calculations

The second measure directed at alleviating the problem of poverty is the law on social neediness, which defines the conditions for providing help in situations of material need. Social neediness is the result of individual assessment of a citizen's social situation. Financial assistance (benefits) should be used only as a last resort. Benefits are provided by communities based on a request by the needy person, with state social support benefit payment centers being used.

The criterion for assessing the social neediness of citizens was, up until the subsistence minimum was put into law in 1991, the so-called social neediness limit, as defined by the decree which accompanied the law on social security.

Benefits are compensatory in nature, and may be provided either in cash or in-kind form (material assistance). Benefits are not always conditioned on social neediness, such as, for instance, those provided to the elderly, the handicapped and certain other groups of people. Besides benefits for these larger social groups, there also exist a number of less significant benefits whose payment is also important for individual handling of smaller population groups. Part of the benefits are guaranteed by the state under certain conditions (they may be claimed). This type is paid mainly by the district offices. Deciding on benefits not subject to claim is generally left to the communities.

Social care benefits are the most often used form of social assistance

Benefits, allowances and in-kind assistance are the most frequently used and, probably, also the most highly preferred form of social assistance. Other forms have not yet been adopted here to a sufficient degree. Providing benefits should, however, be the last and least important form of social assistance. As was already stated, the proposed law puts social work into law for the first time and grants it the leading role in social assistance, the system being based on prevention and intervention. Benefits are to be provided only after the client, even with the help of social workers, is unable to overcome a difficult situation.

Social services are provided in the form of both field work and treatment in a facility. Lately, nursing care, a form of field work, have been used ever more frequently. This tendency may be evaluated as a positive one. It confirms the fact that the less expensive form of social services, field services, are gaining priority. The share of expenditures on nursing care in the GDP has risen twice as fast as that of other forms of social services. Personal assistance services are being developed, and day care and sheltered housing are emerging.

The use of nursing care is growing

Positive changes have been achieved since 1989 in the area of assistance for the handicapped, mainly in overcoming the segregational conception regarding them. The conception of integrating handicapped people into normal life is gradually bearing fruit, and family-type facilities, the aforementioned sheltered housing, are more and more common. The conditions for full integration of the handicapped into the life of society, with the possibility of their remaining in a family environment, have not been completely formed thus far. The new law on social assistance should fill this gap. Currently, benefits for the handicapped are meant primarily to help ease an unfavorable situation, with their role as a form of compensation becoming secondary. They are not able to activate handicapped people towards overcoming their own difficult life situation, and to support their self-sufficiency and independent existence. The proposed law has brought a fundamental change: per capita subsidies. The client is active, choosing among the competing services himself. The state, in a way, guarantees his self-sufficiency.

The mayors of many communities often attempt to contribute to the running of social assistance facilities in their communities. However, the creation of local centers that combine a social care or pensioners' home or other social institution with other social services for the general public has been impeded by problems with financing. Most communities have too few resources to establish and operate social services – often they do not even have the resources for opening schools or health care centers, and so social services are not the highest priority. Independent communities thus have a tendency to send needy citizens to the district offices, as the investigation of social assistance departments also showed. The proposed law anticipates more consistent application of the subsidiary principle and closer cooperation between communities and non-profit organizations in the area of providing social services for citizens. Per capita subsidies give nongovernmental organizations equal status to state organizations as well as among themselves, and create a competitive environment.

In the socialist state, social assistance was regarded at first as a bourgeois relic. Later, the need for it was admitted, without, however, an appreciation of the need to perform it professionally – college-level education was entirely lacking. The very designation of social assistance as “social care” betrays the ideology of state paternalism. Social care was financed exclusively by the state budget and carried out by local state administration – the national councils. Citizens relied on “social certainty”. Social control vanished from the system, and the costs were disproportionate to the effects. Administration was managed centrally by the national Ministry of Labour and Social Affairs. Concentrating the performance of social care on the district, regional and national level led to the loss of the basic idea of social assistance, to inaccessibility in terms of both time and location and to non-functional bureaucratic decision-making without adequate regulation, and thus to a decrease in the quality of social care institutions.

Theoretically, social care covered all basic instances of social neediness and emergency, but there was no individual approach to the specific client, the duration of his state of need or the gravity of his situation. Social care focused on defined groups of people.

After 1989 three pillars of social protection of the population were proposed; however, their gradual implementation did not occur before the Czechoslovak federation dissolved. Following a certain developmental vacuum during the 1992 election period and the subsequent division of the federation in 1992/1993, the Czech Republic continued in the spirit of the reforms begun in 1990.

However high the aims of the authors of these social reforms were, it is clear that these aims have not been achieved. The effort to introduce a cost-efficient, effective system broke down perhaps also because it came onto the agenda too late, when society was no longer willing to tolerate more radical

**Main attributes of
the social care
development**

reforms or “belt-tightening” measures. Another reason was the continual change of conception of all social laws. The fact that there was nowhere to copy from may be a partial excuse for this. The entire developed world is encountering problems similar to those in the CR. Social security is expensive everywhere, and its final form is always a compromise between the interests of the opposition and the government. The obligation of both sides, however, is to create a system that serves its purpose and does not need to be continually reformed.

Putting the poverty line – the subsistence minimum – into law in 1991 was an important step. In 1995 the system of state social support was introduced, intended to reduce living expenses in socially-acknowledged situations (above all for families with children). Social support provides benefits to a considerable number of people, and thanks to this their income does not fall below the poverty line.

Once it became apparent that needy people were covered by state social support, it was possible to proceed to the more fruitful creation of the social assistance law. While the law itself has not been brought to life thus far, the final draft takes the ideas of all the participants into account. The key task of social assistance is to reach a state in which social work is its chief instrument. Another task is to strengthen the incomes of clients who are unable to take care of themselves, and thus allow them as long an independent life as possible in a natural environment, with possible assistance from a service-providing institution. As far as cash benefits are concerned, social assistance is a residual category in the social security system. At the same time, however, it compensates handicapped people for their higher expenses.

Should the proposed law be accepted, it will replace the current impenetrable amount of social care benefits with an allowance towards ensuring basic needs and an allowance towards ensuring special needs. The content of social services has been significantly modified. Two possible types of services have been introduced, care services and intervention services. One of the modern trends which had an influence on the formation of the draft law was the opening of social institutions and the establishing of “social centers”, in which various services are concentrated in one facility. The chief aims are a more extensive pluralization of service providers and the involvement of the client in the assistance process. According to the draft law, responsibility for the existence and accessibility of social services will be borne by local and regional administrative bodies. Communities will also see that essential conditions of survival are ensured, e.g. for people without permanent residency or for people affected by a natural disaster. The state has yet to deal with several European standards, as well as agreements already ratified. Likewise, the CR must ensure the client’s opportunity to appeal to an independent body – the court.

1. **Property and income structure of households**

In the last decade the population of the Czech Republic has undergone a fundamental transformation in its property and income relations and structures. These changes, combined with the improvement in democratic, human and political circumstances, form the bases of the spiritual and material quality of life, human dignity and human development created after the fall of the totalitarian regime. Attention is therefore devoted in this section to the chief factors and contexts of changes in property relations and, as a part thereof, privatization as a basic impulse towards the renewal of vital activities and, at the same time, to the development of household incomes and changes in the ways they are formed, which in turn forms the basis for the standard of living.

The totalitarian regime negatively suppressed human development in the Czech Republic for almost three generations. Totalitarian regimes existed practically uninterrupted for fifty years (Nazism 1939–1945, communism 1948–1989). In the property and income area, these regimes resulted in a suppression of citizens' motivation and activity, resulting from the total extirpation of ownership rights in fundamental areas (the war economy, confiscation of the property of the Jewish population and those persecuted during the Second World War, alienation of property, nationalisation and collectivisation of resources for enterprise on the principles of class war in the communist regime [note 1]). Legally recognised ownership rights of citizens were limited to the area of consumer articles, whilst ownership of the resources for enterprise was reserved for the state and state-sanctioned co-operatives. Private business was suppressed and criminalised by mechanisms of politics and state power.

These property and business constraints on the population were more far-reaching in the Czech Republic (Czechoslovakia) than in any other state of the Soviet bloc. The consequences were many and diverse. They were most apparent in the misappropriation of state property, its misuse and theft, with long-term detriment to the moral and ethical attitudes of citizens, in the development of an extensive shadow economy, particularly in the area of services (crafts, repair work, "moonlighting"). The continuity of property inheritance was disturbed, which considerably helped weaken family ties (divorce rates, estrangement between the generations, harsher attitudes in the young towards the old) and made people move away from productive economic and broader civil activities in favour of personal interests (people's recreational cottages became a typical preoccupation).

Another aspect of totalitarian society was that citizens and households were entirely dependent on the state for their incomes. The only official way to earn money was employment in state firms and institutions and co-operatives recognised by the state. The number of people whose occupation

The totalitarian regime negatively influenced property and income structures

made them independent earners (e.g. lawyers, some artists) was less than one percent of the economically active population.

The changes in property and income relations and structures that occurred in the Czech Republic after the fall of the totalitarian regime are fundamental. They have influenced the development, attitudes, behaviour and fates of all the citizens of the state, both directly during the changes in the socio-political situation and throughout the course to date of the transformations in the nineties. Their effects will be long-term.

1.1. P r o p e r t y r e l a t i o n s a n d s t r u c t u r e s

The developments in property relations have three main features – the constitutional enshrinement and definition of citizens' ownership rights, the expansion of citizens' business activities and the privatisation of state property.

The Charter of Fundamental Rights and Freedoms, which is part of the Constitution of the Czech Republic, states in Article 11: "Everyone has the right to own property. The ownership right of all owners has the same legal substance and protection. Inheritance is guaranteed." [note 2].

Above all, enshrining the right to own property in the constitution will have long-term positive moral effects. After many decades the tenure and use of property legally acquired by citizens became the subject of state protection and an indisputable factor in the status of citizens. At the same time, moral commitments and responsibility are being formed in property-owning citizens towards the development of the civic society and respect for property is strengthening.

Assuring ownership rights has also had considerable motivational effects, giving rise to multifaceted economic and social activity by citizens, particularly the endeavour to achieve the highest possible income, both directly through various forms of work and through increasing the value of existing private capital and funds. Another aspect of the motivational effect of the restored ownership rights is the possibility for unlimited inheritance from one generation to another. From the long-term point of view, the consequences of property motivation on human development in the Czech Republic in the nineties have been indisputably positive.

Some economic activities take place outside the legal framework, both in the form of activities on which taxes or mandatory contributions to social funds are not paid (grey economy) and in the form of criminal activities (black economy). Experts believe that these informal activities have become greater in scale in the nineties and that their content, structure and actors are changing.

Positive effect of enshrining ownership rights in the Constitution

The shadow economy forms 10% to 15% of GDP

Most of the activities that were illegal under the totalitarian regime became legal under democracy and a liberal economy. New impulses and motivations arose for the grey and black economies, however. Key among these were the possibilities for acquiring property through the illegal privatisation of state property, pressure on boosting households' incomes as real purchasing power fell in the first phase of the transformation, motivation to save on taxes and mandatory contributions to social funds, the profitability of illegal activities.

The main forms of illegal activity are the following: "tunnelling" of first state and later private enterprises and companies (i.e. transferring capital, revenues and profits into private activities and accounts), Czech citizens working unregistered (as employees and unlawfully self-employed), the activities of illegal migrants who become the main perpetrators of criminal enterprise, trading in smuggled, counterfeit and otherwise unlawfully acquired consumer goods. Analyses estimate that the illegal economy is on the scale of 10% to 15% of gross domestic product in the Czech Republic (i.e. CZK 109 – 163 billion), with a slight rising trend in the course of the nineties [note 3].

The consequences of the scale and forms of unlawful economic activity are undoubtedly negative for human development. They make legal business activity less profitable, they slow down the establishment of respect for property, they increase fear of crime and xenophobia towards both foreigners and Roma citizens; an instability of political attitudes is also apparent.

The business activities of Czech citizens have become a fundamental component of human development in Czech society in the nineties.

Throughout this period, and particularly at the start, the conditions for development of enterprise (mainly small and medium-sized) were favourable. Besides the fundamental democratising changes already mentioned, there was considerable unsatisfied social and economic demand. The deformations caused by the command economy in the totalitarian system led to substantial deficits in supply in the area of artisanship, repair work, housing and building maintenance, trade, catering, accommodation and other services. Unsatisfied demand for foreign goods was a major motivation for business. Besides internal demand, demand stemming from tourism surged as this area practically overnight and this became a branch with a large turnover and with a large active balance in the state's balance of payments.

The population's business activities went through several phases during the nineties. These phases can be characterised by means of data on the number of private entrepreneurs in business as per Trade Licensing Act (table VI/1).

Private enterprise is a factor in human development

Table VI/1 Changes in the numbers of private entrepreneurs in business as per Trade Licensing Act

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Number of small traders (in thousands)	124	892	982	1045	857	1000	1104	1201	1328

Source: ČSÚ (1999) Statistická ročenka České republiky

It is clear that private enterprise expanded in the first three years of social transformation (1990–1992); in the next stage the number of entrepreneurs stagnated or grew only slightly.

People's business ventures were influenced by a complex of often conflicting factors and motivations. Entrepreneurs and their motivation essentially form three overlapping groups of citizens.

Some businessmen resolutely try to put to use their own business skills and objectives that were suppressed in the previous regime. To a great extent these people took up private business without sufficient material and financial resources and experience. They were full of a combination of enthusiasm, diligence, naivete and the will to make use the possibilities for advancement afforded by the market environment.

The second group are citizens who sought to do business or were drawn into business because they had lost their previous employment. In the first years of the transformation period (1990–1993) these were chiefly people who had hitherto worked in state firms and institutions that had represented the uneconomic aspect of the totalitarian command economy ("production for production's sake") or lost their sales outlets after the Soviet bloc collapsed. Some of them were exponents of the totalitarian regime (apparatchiks of the Communist party and other organisations of the political system such as the secret police). In the first phase of transformation the prospects for doing business were relatively good due to the unsatisfied new demand that had been created. Exponents of the former regime were placed at an advantage over other citizens by the information and contacts they possessed.

In the later phases, most of the people starting businesses were unemployed people who were helped to enter into independent gainful activity by the labour offices. These people had less success in business due to the growing competition and, from 1997 to 1999, the overall slump in the Czech economy, the fast rise in unemployment and the fall in the population's purchasing power.

The third, largest and highly diverse group of people are those who were motivated to do business by the privatisation of state property [note 4].

The process of property restitution was one of the aspects of privatisation that was good for both human development and private enterprise.

Privatisation was a major impulse for business

Restitution consisted in the surrender of property nationalised during the communist regime (1948 to 1989) to its original owners (natural persons) or their legitimate heirs free of charge. Out of a total CZK 1577–1687 billion's worth of state property privatised between 1991 and 1998, property worth an estimated CZK 70–130 billion was restituted to natural persons, [note 5]. Approximately 70,000 apartment blocks and non-residential buildings, 30,000 industrial, administrative buildings and workshops and a substantial part of the state's forests, agricultural and property were restored under restitution [1999 Government Report].

There can be no doubt that restitution had several positive consequences. Restitution beneficiaries have a deep feeling of satisfaction as a result of the redress of the wrongs of nationalisation and the restoration of fundamental inter-generational ownership. Restitution became one of the factors that helped to revitalise the property-owning middle class.

It was also an impulse for the development of small and medium-sized enterprise in particular. The free transfer of property equipped restitution beneficiaries with the material prerequisites for business and allowed them to require less credit and suffer from a lower interest burden than others. Another factor in potential business success was the ability of a number of restitution beneficiaries to take up the thread of business activities that existed before nationalisation, whether drawing on their own experience or family traditions.

Property restitution was one of the specific forms of Czech, or rather Czechoslovak, privatisation. It enjoyed broad public support – in December 1990 the restitution strategy, under the slogan “redressing wrongs”, was supported by 77% of citizens. Right from the start the restitution process was accompanied by conflicts of interest and ideological disputes as to its concept, scope and timing. Reservations about the restitution process were felt out of concern for the ability to handle the large scale on which ownership was changing and the risks of a large number of court disputes, slowing down other forms of privatisation. The majority of restitution claims were satisfied quickly and without major complications, however [note 6].

Small privatisation, which took place from 1991 to 1993, consisted in transfers of property to legal entities for a charge, affecting mainly commercial, warehousing and similar spaces and small business establishments with a book value of no more than CZK 300 million. The ownership transfers took the form of auctions. The auctions were accompanied by a number of corruption affairs and frauds, however, which allowed them to be penetrated by illegal activities (money laundering, the influence of various foreign mafias etc.).

The scale of small privatisation, measured at the value of the property transferred, was not large in terms of the overall volume of large privatisation (roughly CZK 23 billion [note 5]). The fundamental significance of this method

**Small privatisation –
an attempt to quickly
revitalise and boost
small enterprise and
trade**

was that it covered the entire territory and took place quickly. The number of buildings that changed hands in this way and the number of participants in small privatisation are not documented precisely, but they are in the order of tens of thousands of buildings and hundreds of thousands of participants. This type and these forms of enterprise gave rise to specific and responsible owners and created the basis for the lower-middle and middle classes.

The fundamental problem of the small and medium-sized enterprise that arose out of small privatisation and restitution are the conditions for sustaining the business and avoiding failure. There can be no doubt that these conditions got worse during the nineties. State support for this group of businessmen is low. The largest sum channelled into support programmes for small and medium-sized enterprise was approximately CZK 1 billion in 1994–1995. In 1998 the figure was just half that. The chances of finding a cheap loan and a contribution towards interest payments are therefore low. There are not even tax allowances provided to new businesses. On the other hand, the state made it possible for foreigners to obtain a trade licence very easily compared to other countries, especially western countries. On this issue the Government Report on the state of Czech society (March 1999) stated: “As of 31. 12. 1993 the number of foreigners holding trade licences was roughly seven thousand; as of 31. 12. 1997 this number had exceeded sixty-three thousand. There is a high level of economic migration from countries with lower standards of living, in particular the countries of the former eastern bloc, and speculative establishment of businesses, chiefly general commercial partnerships, often with more than 50 or even 70 members”.

The said semi-legal activities, combined with the strong pressure from supranational business groups, made competition much more fierce. In conjunction with the fall in internal demand that makes the current position of small and medium-sized businessmen more difficult. “Overall it must be said that Czech society has lost the optimism it had when it engaged in business at the start of the nineties” [1999 Government Report].

Large privatisation is a historically unrepeatable process (taking place since 1992) in which the major part of state property – large firms and facilities – was transformed into private property. Property worth approximately CZK 937 billion was earmarked for large privatisation, CZK 727 billion’s worth of which had been privatised by the end of 1998. Liberal government economists based the concept of large privatisation and the derived processes on the following principles:

- privatisation takes place before corporate restructuring as the state is by definition incapable of any rational business decisions and companies can only be restructured by their new private owners;

**Large privatisation –
conflicting interests
and conflicting
consequences**

- any private owner is better than the state; the price paid to the state for property by new owners is not decisive, as the point of privatisation is not to fill the state coffers;
- privatisation should be carried out as quickly as possible to obviate the risk of plundering when the state is surrendering not just its commercial functions, but also its supervisory role.

The social, economic, moral and human consequences of this concept of privatisation are conflicting and in a number of regards highly negative.

The privatisation method that best satisfied the demand for speed in the transfer of property into private hands was the voucher method, by which citizens were given ownership interests in the firms they chose. Citizens declared their interest in a specific number of shares in a specific firm by handing in part of the vouchers (points), with each person having the same, limited number of vouchers. For investment purposes citizens could associate and form investment funds. Property worth CZK 333 billion was privatised by the voucher method. At the same time, large privatisation also involved other methods based on the sale of ownership interests (shares).

Large privatisation divided citizens into three, or perhaps four, groups. The first group was made up of citizens who did not take part in large privatisation. They thus surrendered the chance to acquire property and revenues and to participate in the business of the privatised companies.

The second group were citizens who took part in privatisation using the voucher method. Throughout voucher privatisation (the first and second waves) that was approximately six million people who invested, through investment funds, roughly 72% of the voucher points in the first wave and 64% in the second. Most of these people engaged in voucher privatisation with a clear notion of achieving short-term benefit by selling their privatisation vouchers or new shares.

Večerník [Večerník: Development Report, 1998] describes this process as follows: "It was Viktor Kožený who was the first to bet on people seeing privatisation vouchers as a potential source of liquid money and guaranteed that he would buy them back for ten times the money paid in. So ordinary participants in voucher privatisation were in the end attracted by a vision of quick yield rather than a notion of co-ownership and shared responsibility. That is why people provided privatisation investment funds with many more of their vouchers than had been expected and than they themselves had intended. For as late as at the end of 1991 roughly half of those who intended to take part in voucher privatisation were determined to invest directly in firms."

Other key factors in the gradual sell-off of shares acquired in voucher privatisation were news of obscure movements of ownership interests and the weak protection of minority shareholders. Any illusions that the working or fate of a large company could be influenced by small shareholders were dispelled. According to a survey called "Economic Expectations and Attitudes" [Večerník: Development Report, 1998] the number of households holding

securities from voucher privatisation is falling fast (in 1996 it was roughly 70%, it is currently just half).

The third group are active players in the large privatisation processes. These are both the founders (organisers) of privatisation investment funds and participants in the other methods of privatisation, based on the presentation of privatisation projects, with state administration organs choosing the best bid. When large privatisation was at its peak (1993 and 1994) there were 290 investment privatisation funds, at the end of 1998 there were 89 [1999 Government Report]. A large part of the active participants in privatisation were the then managers of state firms. Their advantage was a knowledge of the firms and personal ties to banks, state organs, suppliers and sellers that were kept up after November 1989. This relatively narrow group of citizens acquired significant amounts of property, high incomes and participation in businesses, all completely legally.

A fourth group emerged out of the third group, with adverse moral and human consequences. This was a group of actors that sucked assets out of parent state-owned or already privatised firms. This is how the Government Report describes the situation: "...in connection with developments on the unregulated, deformed capital market, where ownership rights to existing capital are traded instead of investments, the incidence of hostile take-overs of companies by dubious financial groups, with subsequent asset-stripping of the company, is rising. A similar principle also emerged in the case of investment funds or banks".

The outcome of this privatisation development is on the one hand the fact that the narrowest stratum of "tunnellers" amassed extensive property, which it either increases by business and capitalisation (in the legal and illegal economy) or unproductively uses up, so far escaping any personal liability. On the other hand, most of the population developed a mistrust or were confirmed in their mistrust of private ownership, of the honesty of the way in which it was acquired and in the rational allocation of property in the privatisation processes. The property attitudes formed during the communist regime are returning. Around 80% of people agree with the statement that people in the Czech Republic get rich today by predominantly dishonest means. That is twice the proportion in western states [Večerník: Development Report, 1998].

The concrete conditions under which people do business in the Czech Republic in the nineties are derived from some specific features of enterprise. It was necessary to overcome the stigma of suppression, persecution and criminalisation of business activities by the totalitarian regime, as well as fears of the risks of independent earning. Add to this an absence of experience and customs, practically zero capital and the burden resulting from the need for large amounts of credit.

Enterprise to date in the Czech Republic has had specific features

A substantial proportion of people who possess a trade licence do so only formally and do not in fact carry on any business. But a typical fact is that a large number of entrepreneurs simultaneously work in employment and independent enterprise is merely a supplementary activity [note 7]. Hybrid work positions, combining the security associated with employment and the possibilities presented by independent enterprise, albeit necessitating high levels of engagement, activity and initiative, undermine the effectiveness of enterprise. The actors are split between two activities, unable to devote their full efforts to either of them. They tend to see enterprise as a way to slightly ameliorate their situations. This provides an opportunity for private enterprise to be penetrated by the mechanisms of the shadow economy, continuing the practices of “moonlighting” from the totalitarian era.

The extensive property movements that took place in the course of the nineties undoubtedly affected the means of individual households and led to large-scale changes in the structure of households by type and extent of property. This can be summed up by saying that the transformation did not just give people the chance to generate family property by earning ordinary, legal incomes, it also allowed them to use other, new means (partly only temporary). These included restitution, the legal privatisation of state property (ownership interests in small and large privatisation), participating in organising investment funds, “wild” privatisation (sucking the assets out of state-owned or legally privatised firms or investment funds and banks) and taking part in semi-legal and illegal activities.

There are no statistics on the distribution of households’ property. The only source of information is the “Economic Expectations and Attitudes” survey, which is based on respondents’ subjective estimates of the size of their households’ property [note 8]. This information is only illustrative, however, because the subjective estimates of the size of property (in rough bands) are always conservative. On the one hand it is hard to estimate the size of property exactly, on the other hand there is a tendency intentionally to distort the information out of fears that the legitimacy of the property will be cast into doubt. At the extreme ends of the estimates in 1990, about 16% of the respondents declared property of up to CZK 100 thousand and around 5% of households more than CZK 1 million. In 1998 the proportion of households estimating their property at up to CZK 100 thousand fell to 7% and the proportion declaring property worth more than CZK 1 million rose to 36%. Roughly 7% of households estimated their property at more than CZK 3 million. These are nominal values of course.

The property structure of households is largely unknown

1.2. C h a n g e s i n h o u s e h o l d s ' s o c i o - e c o n o m i c c i r c u m s t a n c e s a n d i n c o m e s

Financial and real incomes (pensions) of the population were also fundamentally influenced by the social and economic changes. Changes in incomes also had a back effect on the character and dynamics of the transformations in social, political and economic relations and on the subjective attitudes of the population [for more details see part VI.3].

One fundamental long-term change consists in the shifts in the income structure of households. Two tendencies have become evident – a change in the status (weight, functions) of individual sources of income and a diversification of these sources in individual households. The structural changes in households' incomes take place in the following planes: the overall macroeconomic structure of incomes, the socio-economic composition of households and the increased number of types of income forming the overall income of a household.

The information on macroeconomic aggregates (tables VI/2 and VI/3) [note 9] makes it clear that the significance of households' incomes deriving from social activity declined under the previous regime and the weight of social benefits rose. In 1975 the ratio of "economic" and social incomes was 81:19 and in 1989 78:22. Over the long term, non-wage economic incomes contributed just a small part of households' budgets. Income from enterprise and tenure of capital, i.e. interest on savings, was around 5–6% of households' overall incomes. Overall, this fundamental macroeconomic structure of income sources reflected the stifling of citizens' economic activity, a tendency of greater dependency on state social benefits and the overall stagnation of human development.

**Macroeconomic
structure of incomes**

Table VI/ 2 Financial incomes of the population (households) in the period from 1975 to 1990 according to the population's revenue and expenditure balance

Indicator ¹⁾	1975		1980		1989			1990			
	CZK billions	structure in %	CZK billions	structure in %	CZK billions	structure in %	index 89/75	CZK billions	structure in %	index 90/80	index 90/75
Wages, pay, rewards	146.3	75.8	173.5	74.7	216.8	72.3	1.48	219.9	67.4	1.27	1.50
Incomes from enterprise	7.8	4.0	7.8	3.4	11.9	4.0	1.53	22.6	6.9	2.90	2.90
Incomes from tenure of capital	2.2	1.1	3.0	1.3	5.8	1.9	2.63	7.1	2.2	2.37	3.23
Total incomes from economic activity ²⁾	156.3	80.9	184.3	79.4	234.5	78.2	1.50	249.6	76.5	1.35	1.60
Social incomes (benefits)	36.8	19.1	47.9	20.6	65.3	21.8	1.77	76.6	23.5	1.60	2.08
Total financial incomes of the population (current incomes of households)	193.1	100.0	232.2	100.0	299.8	100.0	1.55	236.2	100.0	1.40	1.70

Sources: FSÚ (1981 – 1990) Statistická ročenka ČSSR; FSÚ (1991) Statistická ročenka ČSFR

Notes and explanations: ¹⁾ Terminology corresponds to national accounts statistics, ²⁾ Sum of the rows Wages, pay, rewards; Incomes from enterprise; Incomes from tenure of capital.

Table VI/3 Current incomes of the households sector¹⁾ according to national accounts statistics in the period from 1992 to 1998 (CZK billions; CZK)

	row	1992		in absolute terms				1998				
		CZK billions	structure in %	1994	1995	1996	1997	CZK billions	structure in %	index 98/92	index 98/90 in nomi- nal terms	index 98/90 in real terms
Incomes from dependent activity (wages, payroll, rewards)	1	277.8	54.0	419.1	495.2	578.7	619.6	649.9	52.6	2.34	2.96	0.90
Mixed income (incomes from enterprise)	2	99.3	19.3	117.9	136.9	181.7	209.0	238.3	19.3	2.40	10.54	3.20
Incomes from capital	3	27.7	5.4	29.3	55.4	79.4	95.6	114.0	9.2	4.12	16.01	4.86
Total incomes from economic activity total (row 1 + row 2 + row 3)	4	404.8	78.8	566.3	687.5	839.8	924.2	1002.2	81.2	2.48	4.02	1.22
Social benefits (social incomes)	5	109.2	21.2	2139.7	159.9	185.9	211.8	232.7	18.8	2.13	3.04	0.92
Current incomes of households	6	514.0	100.0	706	847.4	1025.7	1136.0	1234.9	100.0	2.41	3.79	1.15

Sources: ČSÚ (1994 – 1999) Statistická ročenka ČR

Notes and explanations: ¹⁾ Sum of payments to employees in the form of wages and pay, social benefits, mixed incomes, incomes from ownership

The dominant trend in the nineties is the increase in the significance of incomes from enterprise (mixed incomes) and from capital. The proportion of the current incomes of households accounted for by incomes from enterprise almost trebled in the 1990–1998 period (forming almost one-fifth of total current incomes in 1998); the proportion accounted for by incomes from capital quadrupled even. At the same time the proportion accounted for by wage and equivalent incomes fell (by about 15%). These incomes are still the largest component in households' incomes (just above half). The

position of social incomes has also declined slightly (by almost 5%) and made up 19% of households' total incomes in 1998.

The very first years of social transformation (1990–1992) were witness to fundamental changes in the structure of households' incomes. After 1992 the structure of current incomes in the households sector basically stabilised, with the weight of only incomes from capital rising strongly (from roughly 5% to 9% of the income total). Overall, incomes' dependency on the economic activities of its recipients rose in the transformation period and the dependency on social benefits fell. The structure of households' income sources also reacted to the growth of private enterprise and to the need to look after property and increase its value. The macroeconomic characteristics of households' incomes express a fundamental social movement towards an active civic society.

The socio-economic structure of households has changed drastically during the nineties. With the total number of households remaining stable, the dynamics of the development of individual socio-economic groups of households, distinguished by the dominant type of income, were considerably different (see table VI/4).

Socio-economic structure of households and their incomes

Table VI/4 Socio-economic structure of households in the 1988–1996 period

		Households					
		Total	of which households headed by a person ¹⁾ with socio-economic status of:				
			employee	co-operative farmer	s/e ²⁾	pensioner ³⁾	unemployed and other
1988	Number in thousands	3 805	2 514	216	21 ⁴⁾	1 054	–
	%	100.0	66.1	5.6	0.6	27.7	–
1992	Number in thousands	3 836	2 110	112	224	130.2	88
	%	100.0	55.0	2.9	5.8	33.9	2.4
1996	Number in thousands	3 822	2 142	–	358	1 236	86
	%	100.0	56.0	–	9.4	32.3	2.3
Financial income ⁵⁾		6 355	6 782	–	7 528	4 781	2 960
Dominant financial income ⁶⁾		–	85.1	–	66.4	77.3	46.1

Source: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996

Notes and explanations: ¹⁾ Always a man where possible, ²⁾ self-employed, ³⁾ old-age pensioners (retired) and non-working invalids, ⁴⁾ including people without the said status, ⁵⁾ total financial income per capita per month, ⁶⁾ dominant income as a % of total financial income per capita, dominant incomes are: for employees, income from dependent work; for the self-employed, income from enterprise; for pensioners, pension; for the unemployed and other, social benefits.

It is apparent that the number of households of employees is falling and that the numbers of households headed by a pensioner, unemployed person and, in particular, an independently earning person are rising. The group of households of co-operative farmers has disappeared. These processes, which deeply influence the people's fates and development, are the result of a number of factors. They chiefly include the move towards enterprise, the change in ownership relations (privatisation, transformation of state agricultural co-operatives), the increase in unemployment and early retirement. These characteristics reflect the state of the socio-economic composition of households before the upsurge in unemployment from 1997 to 1999. In these years the number of households headed by a person in employment has evidently fallen and households of pensioners and unemployed people have increased in number. The interaction between the socio-economic composition and the structure of households' incomes has been diverse. The composition of households determines the main income sources and the macroeconomic structure of incomes is in turn a reflection of the socio-economic composition of households. The level, dynamics and structure of financial incomes have had a pronounced effect on changes in the socio-economic composition of households. Income motivation was most evident in the move towards private enterprise (self-employment).

The processes of socio-economic transformation during the nineties have brought practically every household a palpable diversification in their sources of income. Privatisation, restitution, enterprise and capitalisation of private property have meant that the total incomes of households of various socio-economic categories combine incomes from various sources. The previously almost total income homogeneity (incomes from employment in state or co-operative firms and institutions and social incomes) is changing into a heterogeneous structure. The diversification of employee households' net financial incomes is clear from table VI/5. The proportion of incomes accounted for by non-wage incomes from economic activity rose from under 2% to almost 6% (the absolute volume rose by a factor of 8.9), whilst the share of social incomes fell. The scope of these non-wage incomes is based on respondents' declarations, so it is certain that the statistical level is lower than the real (objective) state.

**Diversification of
income sources in
individual households**

Table VI/5 Structure and net financial incomes of employee households from 1988 to 1996

Types of incomes	Households of employees					
	net financial incomes per capita per year (CZK, CSK)			structure of net financial incomes per capita (in %)		
	1988	1992	1996	1988	1992	1996
Incomes from dependent activity ¹⁾	18 655	27 875	53 580	81.5	81.5	82.3
Incomes from enterprise (mixed incomes)	–	699	2 027	–	2.0	3.1
Incomes from capital	419	579	1 698	1.8	1.7	2.6
Incomes from economic activity ²⁾	19 074	29 153	57 305	83.3	85.2	88.0
Social benefits	3 829	5 045	7 795	16.7	14.8	12.0
Total incomes	22 903	34 198	65 100	100.0	100.0	100.0

Source: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996

Notes and explanations: ¹⁾ Wages, pay and other equivalent rewards for work, ²⁾ sum of incomes from dependent activity, from enterprise and from capital.

2. Wages

Wages, pay and equivalent rewards for work (in the broadest, summary, substantive concept and terminology used in the Czech income tax act defined as “incomes from dependent activity and positional perquisites” [note 10]) remain the largest component of households’ total incomes, despite the gradual reduction throughout the nineties. Simultaneously they are the dominant income source of households headed by employees, i.e. of the most numerous, but shrinking, socio-economic group of the population. All wage relations, wage-fixing methods, the nominal and real dynamics of wages and wage differentiation have undergone deep changes in this period.

2.1. Wage - fixing mechanisms

Before 1990, wage fixing was based on ideological approaches to the political concept of wages. Preference was given to the manual labour of certain groups of employees performing strenuous work in a demanding environment. The low remuneration of qualified work, creative invention and responsibility was typical. Wages were fixed on the basis of detailed central planning and definition of wage volumes and the main components of individual wages. This approach paralysed the real economic and social ties between the actors in work relations.

The first years of the nineties (1990–1992) were a phase of intensive preparations and the actual start of the transition towards the wage system of a democratic society and market economy. The reform of wage fixing in the Czech Republic was based on two fundamental principles. The first applied

to the provision of wages in the enterprise sphere, where wages are the price of labour fixed by supply and demand on the labour market. The framework legislation allows for a wide variety of contractual (or unilateral) wage stipulation methods as regards their size, form and dependence on the characteristics of work and economic activity.

The second principle is applied in the areas of the economy where the employers' activity is financed from public funds (the budget, public or non-enterprise sphere). The principle is that the wage-fixing mechanism must safeguard both the public interest in the constant, rational and good working of budget-funded institutions (the remuneration provides employees with a high degree of protection from supply and demand fluctuations on the labour market), and tax payers' interest in the effective use of public finances. This protection is achieved by detailed fixing of pay components and their size. There is but little scope for contractual wage fixing (individualisation).

Wage fixing for employees in the enterprise sphere since 1992, which affects about 3.4 million employees (roughly four-fifths of their total number), is based on three procedures. The first procedure respects the fact that the individual employee is always (or almost always) in a weaker position than the employer when the conditions for his employment, including his remuneration, are being determined. For that reason, the majority of employees find it more advantageous to determine their wage and the conditions for its provision through collective agreements made between employers and trade union organisations (or between employer associations and employee associations). Collective bargaining is intended to enable the strength of the unions to balance out the employee's position relative to the employer. The second procedure is the individual determination of wages by agreement between the employer and employee. This procedure is thought appropriate in the case of employees in the upper echelons of corporate management and experts who can bring the uniqueness of their skills and experience to bear on the job market. The third procedure admitted by the Czech legislation is the unilateral fixing of wage levels and conditions by the employer. These wages are offered to employees and job candidates, who either accept them or reject them.

All these mechanisms must respect the minimum wage laid down by law and the conditions for safeguarding wage payment (e.g. a ban on payment in kind in the form of alcohol and narcotics). A universal minimum wage and minimum level of wage upgrading (extra wages for overtime work, say) are laid down. The legal guarantees are defined in greater detail for wage fixing by individual agreement or unilaterally by the employer. The minimum wage is differentiated depending on the difficulty of work, for example, and the difficulty and harmfulness of a work environment and the related minimum wage improvement are defined etc.

Wage fixing in the enterprise sphere

The wage-fixing mechanisms in effect in the Czech Republic since 1992 have brought this area much closer to the procedures customary in western European countries. They are a positive component of the quality of employer-employee relations and an element of human development. There are a number of problems with and negative aspects of their practical application, however.

Collective wage bargaining has not developed as far as originally desired and expected. Collective agreements determining wage levels and conditions are only made in a particular portion of medium-sized and large firms. Expert estimates state that only about 30% to 35% of employees have their wages determined and safeguarded by collective agreements, which is roughly half or even a third of the scale of collective bargaining in European Union states. The main reasons are the fall in employee membership of trade unions and the discrediting of the trade union movement in the period of economic decline in the first stage of transformation (1990–1993) and in the period of economic recession (1997–1999). Trade union organisations are the only entities authorised to make collective agreements with employers. That, combined with the state's neglect of its right to extend the validity of collective agreements made at a supra-corporate level to other entities, has led to this wage-fixing technique having limited use [see also chapter IV].

The development of collective bargaining was also influenced by the political and ideological exchange of views on the state's role in dialogue with its social partners (employers and employees). Between 1993 and 1996 that resulted in an attempt to find a neutral position for the state in its relations with its social partners and in a restriction of contacts with the trade unions.

The relatively small scale of collective wage bargaining means that in a number of firms, and particularly smaller firms, the wages of most employees are fixed unilaterally by employers. In a number of instances the employee, in fear of losing his job, accepts unequal wage conditions and unequal working conditions in general. This mainly consists in the unequal remuneration of women, young or old employees [see also chapter III]. Evident discrimination against foreign citizens is frequent. That is reflected in an inequality of competitive conditions between companies and negatively influences the human development of employees in this position. The scope and effectiveness of state supervision are not sufficient to stifle this phenomenon and institutional problems exist, too. The control powers of labour offices are constrained by their other functions on the labour market. In recent years in particular, when the Czech economy's recession has been culminating, wage provision has to a large extent been used to transfer business risks to employees. An employer's insolvency means that part or all of an employee's wage is not paid, often repeatedly over a long period of time. The average number of employees who did not receive part or all of their wages in individual months in 1999 is estimated at 50,000 to 100,000.

Yet the Czech Republic still does not have a guarantee fund that would pay employees at some of their wages on behalf of insolvent employers, as is the case in all EU countries.

Around 800,000 people in the Czech Republic are employed in the sphere of the economy financed out of public funds (i.e. in particular from the state budget, the budgets of municipalities and the funds from mandatory social and health insurance). In the course of the nineties the number has risen slightly [Statistical Yearbooks 1990–1998]. This figure includes constitutional representatives of the state, members of municipal authorities, judges, staff in central and local organs of state administration, the police, the army, the vast majority of state (or municipal) schools, healthcare facilities, science and research institutions, cultural and equivalent facilities and institutions. The determination of wages and other personal particulars in line with the law ensures that budget sphere institutions perform high-quality and rational work and services and protects the interests of taxpayers in the effective use of public finances. The legal definition of wage levels and conditions is very detailed and is founded on uniform principles for practically all public sector employees. Special legislation is currently only used for constitutional representatives of the state, judges, state prosecutors, local officials, employees in universities and public service television and radio. There is no autonomous bargaining between the representatives of these institutions and trade unions on wage levels and conditions. The trade unions can take part in discussions during the preparation of legal regulations determining pay and other matters.

The concept on which the wage mechanism was based presupposed that, once it was introduced in 1992, the volume of public finances that could be used on pay and other particulars would be enough to ensure a reasonable level of remuneration and at least preserve the real purchasing power of nominal earnings. It was also intended to make the earnings of qualified specialists working in the public sector gradually improve on their levels from the time of the totalitarian regime and thus close the gap on other earnings. This difficult target was only short-term (1992–1995) for the group of public sector workers as a whole. Long-term success has only been achieved for very narrow groups of employees (constitutional functionaries, judges, some employees in the central bodies of state administration, in the police and in the army).

The budget constraints resulting from the economic downfall in 1997–1998 forced the pay system to stagnate, which caused a sharp fall in real wages. Large groups of public sector employees (teachers at elementary and secondary schools, doctors and other healthcare staff) made public protests (demonstrations, short strikes). The tension abated once the minority social-democrat government increased pay by about 12% for 1999. The work on

Wage fixing in the budget institutions sphere

public budgets for the year 2000 indicates that the pay level in public administration will probably have to stagnate again.

The earnings levels of staff in budget-funded institutions and their relative inferiority is one component of the broader conceptual matters of the performance, financial management and running of the public sector. There has been debate on these matters throughout the nineties. For a long time now – and not for the first time – legislative and government bodies have been preparing reform of the territorial units of state administration and local government and legislation governing the institutional and personnel aspects of work in the civil service. The fundamental ideological differences between the political parties have made it impossible to complete this task, however. Pronounced differences of opinion clashed in the matter of how many higher self-administering territorial units there should be and what their powers should include, for example. Voices calling for the creation of 2-3 units and support for more than 50 units could be heard. The final compromise was fourteen regions. Unclear issues include the question of what powers will be transferred from the existing district authorities, how much tax-raising autonomy they will have etc. Some experts are proposing that remuneration of civil servants should be based on the contractual principle (a hierarchy of pay agreements running vertically through the service) etc.

It is clear that the preparation for the Czech Republic's entry to the European Union will influence solutions to the conceptual questions of the public sector, including wage-fixing mechanisms, in the coming years.

2.2. W a g e d e v e l o p m e n t a n d d i f f e r e n t i a t i o n

Nominal and real wage movements – their dynamics and differentiation – reflect both broader social and economic process and, first and foremost, the changing relations between employers and employees in the nineties.

The main factors influencing the overall development in the level of nominal wages and their purchasing power in the transformation period to date have been the rise in consumer prices, the change in the macroeconomic performance of the economy and in the performance of individual employer entities, and the regulatory interventions by the state. The fundamental contexts and phases of the change in average nominal and real wages are shown in table VI/6 [appendix VI/A contains more detailed data on economic and wage development].

Wage dynamics

VI/6 Average nominal and real wages from 1989 to 1998

Characteristics	Year average					Indexes					
	1989	1991	1993	1996	1998	91/89	93/91	96/93	98/96	98/93	98/89
Average gross nominal wage in the national economy CZK/month	3 169	3 792	5 817	9 676	11 688	1.197	1.534	1.663	1.208	2.009	3.688
Consumer prices index	1.000	1.566	2.306	3.011	3.617	1.566	1.473	1.306	1.201	1.569	3.617
Real purchasing power of average nominal wage (CZK/month, constant 1989 prices)	3 169	2 421	2 523	3 213	3 231	0.764	1.042	1.273	1.006	1.281	1.020
GDP (CZK thousand/year, constant 1984 prices)											
– per capita	123.3	111.0	107.7	123.1	121.3	0.900	0.970	1.143	0.985	1.126	0.984
– per employee	236.4	226.2	229.6	251.7	256.1	0.957	1.015	1.096	1.017	1.116	1.083
Average gross nominal wage in the private sector (CZK/month)	3 243	3 848	5 891	9 674	12080	1.187	1.531	1.657	1.237	2.051	3.725
Real purchasing power of average nominal wage in private sector (CZK/month, consumer prices of 89=100)	3 243	2 457	2 534	3 243	3 340	0.758	1.031	1.280	1.030	1.318	1.030
Average gross nominal wage in the public sector (CZK/month)	2 807	3 566	5 576	9 434	10374	1.270	1.564	1.692	1.100	1.860	3.696
Real purchasing power of average nominal wage in public sector (CZK/month, consumer prices of 89=100)	2 807	2 277	2 418	3 133	2 868	0.811	1.062	1.296	0.915	1.186	1.022

Sources: ČSÚ (1994 – 1999) Statistická ročenka ČR;
 FSÚ (1991 – 1993) Statistická ročenka ČSFR;
 FSÚ (1981 – 1990) Statistická ročenka ČSSR

The table primarily makes clear what fundamental and complicated changes have taken place in wage development during the transformation of Czech society. The data for the individual periods indicates that basic wage relations were shaken up, with ratios changing substantially in short intervals of time. That is a not just a reflection of the frailty and inconstancy of the emerging economic and social structures, but mainly of the governments' and political representations' lack of a concept for the mechanisms by which to influence wage developments over the longer term (with the aim of stabilising wage levels). Stabilisation of wage ratios should be based on the advancement and cultivation of relationships between the social partners at all levels and tripartite negotiation between the government and its social partners.

The primary impulse affecting wage development in the transformation period was the liberalisation of consumer prices at the start of 1991. The parallel decline in economic output at the start of transformation and the delayed reaction of nominal wages (inertia resulting from wage systems, work agreements, the element of surprise and the prevailing conviction that belts would only have to be tightened for a short period of time) meant that real purchasing power fell sharply (by almost a quarter from 1989 to 1991). This fall was much more pronounced than the decline in economic output, which created a reserve in the real level of wages. In the following two years real wages rose slightly whilst economic output continued to stagnate or fall.

At the same time, the level of nominal and real wages in the public sector rose much faster than in the private sector throughout the 1989–1993 period. Between 1993 and 1996, relations formed between wage and economic developments that were unsustainable over the long term. While real GDP per capita rose by approximately 14% (by 10% per employed person), the purchasing power of the average wage rose by 27%. Although that meant that the real wage level of 1989 was regained, the excessive speed of wage growth simultaneously became an element of the increasing economic imbalance. The relative strong economy measures taken by the government (which became a factor in the political and governmental crisis in 1997) resulted in further fundamental swings in wage relations.

As the economy's performance declined, 1997 and 1998 saw a marked fall in the growth of nominal wages and stagnation in real wages. This was caused by a sharp fall in real wages in the budget sphere (8%). In the enterprise sphere the growth in nominal and real wages merely slowed down (in the 1994–1996 period the year-on-year growth in the average wage was 18.2% in nominal terms and 8.6% in real terms, in 1997–1998 the figures were 11.2% and 1.5% respectively).

The developments in the first half of 1999 represent another fundamental change in the trend. As economic output performance fell (GDP at constant prices fell by 1.9%), real wage growth is once again ahead of GDP growth.

■ **Table VI/7 Wage developments in the first half of 1999**

	CZK	Increase over 1 st half of 1998 (%)
Average gross nominal wage	12 063	8.3
Rise in consumer prices	–	5.5
Rise in purchasing power of average gross nominal wage	–	2.7
Average gross nominal wage in private sector	12 329	6.9
Rise in purchasing power of average gross nominal wage in private sector	–	1.3
Average gross nominal wage in public sector	11 196	14.1
Rise in purchasing power of average gross nominal wage in public sector	–	8.2

Sources: ČSÚ

Changes in wage differentiation have significantly affected the income level and standing of employees and their households. Additionally, this has to a certain degree or indirectly been reflected in other socio-economic groups of households, where there is a clear influence of the heterogeneity of the sources of income of individuals and households or the derivation of the levels of social incomes from wage incomes.

Wage differentiation

The basic tendency that dominated the nineties was that wage differences in the main socio-economic cross-sections (branch, territory, qualification differential) became more pronounced. [Detailed data on the nature and timing of differentiation in wages are given in tables VI/B and VI/C in the appendix.] The key elements of the differentiation process are reflected in the positional characteristics of the earnings breakdown given in table VI/8.

Table VI/8 Percentile characteristics of the breakdown of employees¹⁾ by gross wage in 1989 to 1998

Percentile characteristics	Nominal gross wage (CZK/month)				Change in real purchasing power			
					Indexes			
	1989	1993	1997	1998 ²⁾	93/89	98/93	98/97	98/89
P ₅	1 708	2 776	5 138	5 443	0.71	1.24	0.96	0.88
P ₁₀	2 009	3 187	6 000	6 418	0.69	1.28	0.97	0.88
P ₂₅	2 270	4 109	7 731	7 951	0.79	1.28	0.97	1.01
P ₅₀	3 238	5 597	10 356	11 183	0.75	1.28	0.98	0.96
P ₇₅	4 082	7 640	13 590	14 956	0.81	1.25	0.99	1.01
P ₉₀	4 926	10 157	17 872	19 852	0.89	1.26	1.00	1.12
P ₉₅	5 746	12 231	22 617	24 980	0.92	1.30	0.99	1.20
					Indexes			
					93/89	98/93	98/97	98/89
Arithmetic average	3 342	6 293	11 663	12 395	1.88	1.97	1.06	3.71
P ₉₅ /P ₅	3.37	4.41	4.41	4.57	1.31	1.04	1.04	1.36
P ₉₀ /P ₁₀	2.45	3.19	2.98	3.09	1.30	0.97	1.04	1.26
P ₇₅ /P ₂₅	1.80	1.86	1.76	1.88	1.03	1.01	1.07	1.04
A/ P ₅₀	1.03	1.12	1.13	1.14	1.09	1.02	1.01	1.11

Sources: ČSÚ (1998) Časové řady základních ukazatelů statistiky práce (1948 – 1997); ČSÚ (1998) Mzdy zaměstnanců

Notes and explanations: ¹⁾ Employees that have worked or been paid for the full set of working hours (according to definition in individual years); ²⁾ estimate based on sample survey

The table shows the following:

- Before 1990 individual earnings were distinctly levelled. Wage distribution was equalised for a long period of time and was politically enforced despite proclamations of wage differentiation. The differences in the upper echelons of the wage spread in particular had a disincentive effect (qualified and top professional positions and management posts). There was much less wage differentiation in the Czech Republic than in the other Soviet bloc states.
- In view of this levelling of society, the intensity of the changes causing differentiation was high in the first phase of transformation (higher than in Hungary and Poland), despite the working of significant factors inducing a tendency towards levelling. Two such factors were

the substantial rise in the consumer prices level after prices were liberalised at the start of 1991 and the introduction of the official minimum wage. Nominal wages rose much faster in the upper parts of the earnings scale. Between 1989 and 1993 earnings on the P₉₅ level rose by 112 % and on the P₉₀ level by 106 %, whereas low wages in the fifth percentile rose by 63 % and wages on the P₁₀ level did not even rise by 60%. That was reflected in a shift in the real purchasing power of earnings. Whilst there was universal decline between 1989 and 1993, the fall in power purchasing power for the ten percent of wage earners with lowest wages fell by about 30%, whilst for the ten percent of earners with the highest wages this fall was only around 10%.

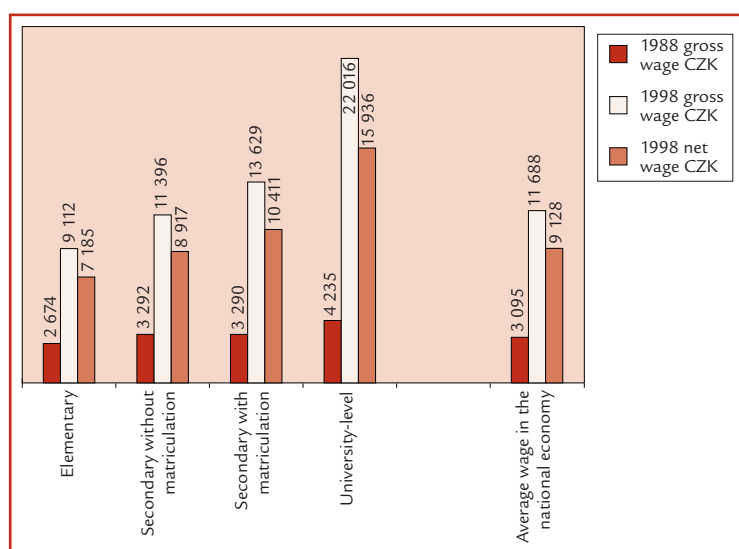
- Up to 1993 the segments with the highest earnings levels saw a marked social transformation in the people receiving high wages. Employees in branches that had been given precedence under the communist regime (mining, metallurgy) left these highest-wage segments, to be replaced by specialists, managers and directors, judges and employees of successful business entities.
- From 1993 to 1997 wage differentiation settled at the levels it had reached and there were even signs of reductions in differentiation. This development is rooted in the increased demand for labour in the period of economic growth, which also included jobs requiring lower levels of qualification and yielding lower earnings.
- In 1997 and 1998 the process of increasing wage differences started again. Purchasing power fell across the entire earnings scale (more in the lower levels, less to almost zero in the higher wage levels). It is very likely that this development is linked to the fall in economic activity and the rise in unemployment.
- The basic overall tendency that established itself in the nineties was an increase in nominal wage differentiation. The parallel rise in consumer price levels meant that the real purchasing power of low wages remains approximately 12% below the level of 1989. Only around one-tenth of employees – those receiving the highest wages – have registered a strong increase in the purchasing power of their wages (10% to 20%).

There is a clearly visible influence of the level of employees' education on earnings differentiation. Analyses based on various sources and data have repeatedly found that the wage valuation of specialist education, particularly university-level education, has risen considerably (table VI/9 and graph VI/1). The increased frequency of wage fixing by agreement in the private sector has eliminated the totalitarian regime's ideological barriers to appropriate rewards for qualified, professionally demanding work. That gives the upcoming generation an incentive to study at university, makes it possible to increase the demands on levels of qualification and generally works to improve the quality of human growth.

**Increase in wage
differentials by level
of education –
a positive shift**

The low level of wages in healthcare and education remains a major handicap. The data in table VI/10 illustrates the changes in the wage positions of selected occupations. It is clear that wage decline has been registered by manual professions demanding lower qualifications (in mining, construction, in the processing industry). A stagnation or deterioration in position can be seen in the core professions in education and in middle-level medical staff.

■ **Graph VI/1 Wage levels by level education achieved**



Source: ČSÚ

■ **Table VI/9 Wage changes by education between 1988 and 1998¹⁾**

Level of education achieved by employee	Gross wage		
	1988 CZK	1998	
		CZK	index
Elementary	2 674	9 112	3.41
Secondary without matriculation (apprenticeship etc.)	3 292	11 396	3.46
Secondary with matriculation	3 290	13 629	4.14
University	4 235	22 016	5.20

Sources: ČSÚ

Notes and explanations: ¹⁾ In 1988 wage for June for employees that had worked 160 and more hours that month; in 1998 average monthly wage for employees with 1700 and more paid hours

Table VI/10 Wage levels in selected occupations in 1988 and 1998^{1), 2)}

Occupation	1988		1998	
	CZK	Ratio to average gross wage	CZK	Ratio to average gross wage
Judges	4 717	152	44 055	412 ³⁾
Specialists in finance	3 315	107	22 685	194
Doctors, medical superintendents	4 568	148	19 871	170
Miners	6 493	210	16 770	143
Engine drivers	3 962	129	15 007	128
Secondary school professors	3 587	116	14 077	120
Elementary school teachers	3 336	108	11 894	102
Masons, stonemasons	3 225	104	11 330	97
Nurses	2 665	86	10 630	91
Shop staff	2 207	71	8 079	69
Seamstresses	2 411	78	7 591	65
Average gross wage in the Czech Republic	3 095	100	11 688	100

Sources: ČSÚ

Notes and explanations: ¹⁾ In 1988 wage for June for employees that had worked 160 and more hours that month; in 1998 average monthly wage for employees with 1700 and more paid hours,

²⁾ Order by wage level in 1998, ³⁾ 1997.

The growing regional differentiation in wages reflects widening differences in the economic and social situation of individual regions and districts, especially the differing structures of economic activities in individual regions, their decline or progress, the situation on the regional labour market (unemployment, number of foreigners employed etc.) and the state and development of infrastructure networks (including traffic access). The relative wage position has improved sharply in Prague and slightly in the Central Bohemian region. The other regions have experienced decline, most strikingly North Moravia, in which the problem industries of mining and metallurgy are concentrated [table VI/D in the appendix]. The wage differences between individual districts have increased even more [note 11]. Whilst in 1989 there were only three districts that had an average wage less than 90% of the national average, in 1997 there were 41 such districts. Wage increases mainly came in those districts where large foreign investments are concentrated. Besides Prague, these are Mladá Boleslav (Škoda Auto), Kutná Hora (tobacco industry), Český Krumlov (tourism) and some others, particularly border regions.

Regional wage differentiation reflects growing territorial economic and social differences

Wage differentiation has emerged strongly between different branches of the national economy. Finance, trade and, up to 1996, public administration [see table VI/D in the appendix for details] improved their relative wage position. There has been a worsening in the positions of agriculture, industry (chiefly among

Changes in wage relations between economic branches

which the mining, leather-working and clothing industries) and construction. Wage stagnation in the budget sector in 1997 and 1998 has meant that the wage position of public administration, education and healthcare has gradually declined.

The fundamental reason for these shifts was the move away from a command economy to a market economy and its gradual formation of a competitive environment. The main aspects of this were the contraction of some activities and the expansion of others, the abolition of various subsidies and the substantial improvement in the wages paid for highly qualified and specialised work. Large-scale differentiation also started to emerge within branches depending on whether a company was successful or not. The growth intervals of average nominal monthly wages in the national economy between 1993 and 1998 are given in table VI/11.

Table VI/11 Differentiation of year-on-year changes in average wages of organisations in the national economy between 1993 and 1998

Interval of change	Percentage of organisations with the given year-on-year change of average nominal wage levels					
	1993	1994	1995	1996	1997	1998
Stagnation and decline	8.7	15.9	13.7	13.8	38.4	16.1
0-30% growth	75.9	65.6	61.2	66.2	50.0	72.3
Growth over 30%	15.4	18.5	25.1	20.0	11.6	11.6

Source: ČSÚ

The differentiated development of the real purchasing power of wages has evidently influenced opinions in the Czech Republic on how reasonable existing wage differences are. Sociological surveys [note 12; 1999 Information Bulletin of the Sociological Archive] in the nineties present the following summary findings:

- Czech society has a strong tendency to see the existing wage differences as too big. One reason for this might be that wage levelling was a reality for more than forty years of totalitarian rule. The number of respondents agreeing with that view has risen during the nineties (table VI/12), partly as a reaction to the increase in wage differences that were actually going on.
- Respondents with lower levels of education and by extension lower earnings often hold the view that differences in earnings are excessive (table VI/13). This attitude has got stronger in all education groups, however. A big change in the attitudes of people with secondary school and particularly university education may be linked to the fact that higher levels of education produced greater value in the course of the nineties.

Attitudes to wage differentiation are changing

- In contrast to the above tendencies, the reality of the nineties is giving rise to a view in the Czech population that major pay differences are justified. This is shown by the fact that during this period respondents increased the ratio (multiple) of the pay of the director of a large firm to the pay of a factory worker that they regarded as deserved (table VI/14).

■ **Table VI/12 Assessment of pay differences**

Year	Proportion of respondents assessing differences in pay as (in %)				
	too large	on the large side	reasonable	on the small side	too small
1991	30.3	39.0	11.7	15.0	4.0
1995	44.4	37.1	13.9	3.9	0.7
1999	48.8	40.1	9.6	1.4	0.7

Source: Sociologický ústav AVČR (1999) SDA Info – Informační bulletin Sociologického datového archivu

■ **Table VI/13 Assessment of pay differences by respondent's level of education**

Level of education achieved by respondent	Year	Proportion of respondents assessing pay differences as (in %)		
		large	reasonable	small
Without matriculation	1991	77.8	11.5	10.8
	1995	86.8	10.6	2.5
	1999	93.0	5.8	1.3
Matriculation	1991	65.1	11.4	23.6
	1995	81.3	14.7	4.0
	1999	85.3	13.0	1.7
University	1991	30.5	13.9	55.6
	1995	59.5	25.5	15.0
	1999	76.8	20.1	3.0

Source: Sociologický ústav AVČR (1999) SDA Info – Informační bulletin Sociologického datového archivu

■ **Table VI/14 Assessment of the degree of wage differentiation**

Year	Percentage of respondents that think it is deserved that the pay of the director of a large firm is the given multiple of the earnings of a factory worker in the brackets					Average wage multiple
	0.1 – 2.0	2.1 – 4.0	4.1 – 7.0	7.1 – 10.0	more than 10	
1992	14.9	48.3	22.3	8.5	5.9	4.9
1995	7.3	36.1	33.8	15.0	7.7	5.7
1999	5.1	25.4	30.2	20.6	18.1	7.6

Source: Sociologický ústav AVČR (1999) SDA Info – Informační bulletin Sociologického datového archivu

2.3. Minimum wage

In the Czech Republic (or rather the Czechoslovak Federative Republic) the level and use mechanisms of the minimum wage were first stipulated in February 1991, as part of the legal definition of wage and pay-fixing mechanisms in the private and public sectors (see Chapter VI.2.1.). Unlike other western European and transitive states, the Czech Republic had no experience with the stipulation and working of minimum wages.

The level of the minimum wage and the conditions of its application are laid down by law and government regulation. The concept of the minimum wage in the Czech Republic is based on the fact that it should fulfil the following functions:

- guaranteeing a minimum earnings level that prevents wages getting forced below the level that ensures a modest but acceptable standard of living for the employee;
- defining the bottom limit for wage costs and thus the extreme limit for a company's effectiveness; an employer that cannot sustain the cost of the minimum wage cannot do business;
- setting the level above which negotiations on wage levels must take place (or above which an employer must fix wages), and thus constraining competition on the labour market;
- acting as the basis for determining wage intervals in corporate wage systems and in collective bargaining on wages.

The mechanisms for applying minimum wage levels in the Czech Republic have two sides. The first consists in the stipulation and application of a uniform minimum wage, which is set at a basic level of hourly or monthly rates for employees without any health or legal restriction to work placement (75% of the basic rate in the case of beneficiaries of invalidity pensions over 18 years of age and minors from 16 to 18; 50% of the basic rate for beneficiaries of invalidity pensions younger than 18 and minors up to 16). The uniform minimum wage is binding for all employers, including the public sector.

The uniform minimum wage is based on the principle that the reward for an employee's work must not be lower than the minimum wage. If this should occur (e.g. in the event of low performance when paid in unit wages), the employer must make up the difference between the earning achieved and the minimum wage. Collective agreements can set a higher minimum wage in business entities than the level laid down by law.

The second mechanism consists in the application of minimum wages differentiated according to the complexity, responsibility and physical exertion of work (what are called minimum wage or pay tariffs). In the private sector differentiated minimum wages are only binding for those employers where wages are not fixed by collective bargaining. During the

**Bases for application
of minimum wages**

nineties the number of binding minimum tariff levels fell from twelve to three. For employers financed out of public funds, the law sets out twelve minimum pay tariffs, arranged in intervals according to how difficult jobs are.

The minimum wage mechanisms do not contain any binding system for valorisation or a legal duty for state organs to adjust this level in response to altered economic and social situations.

The concept, working and construction of the minimum wage in the Czech Republic remains at the centre of the attention of employees, employers, state organs, socio-economic analysts and politicians. For a long time there has been expert, political and ideological debate on the justification of the minimum wage, the level of the minimum wage, its relationship with other economic or social determinants and the social consequences of these relationships.

Liberal economists (including certain government economists in the years 1993–1997 [Ekonom, 11/1998]) proposed that the institute of the minimum wage should not be used at all. This idea was based on the fact that there are indomitable constraints that pull in opposite directions and cause the minimum wage to be ineffective. If the minimum wage is low, it does not motivate people to seek work, if it is high, it causes greater unemployment by reducing demand on the part of employers.

Two solutions are offered. Either the minimum wage can be scrapped in favour of complete freedom in settling wage levels and conditions, even for the most menial work, or it can be replaced by negative income tax. The basis of negative income tax is a state guarantee of a certain minimum income for every citizen and complete freedom in the form and level of the actual income. If the income is lower than the guaranteed minimum, the state pays the difference, if the income is higher, the citizen pays tax to the state. Both approaches were rejected, as they have not been tested in practice and might present a risk (this concept is not used in any European state). But certain elements of this concept were implemented in practical policy (in 1992–1996), which caused the nominal and real level of the minimum wage to fall behind and its function to be stifled.

The debate on the level of the minimum wage has cleared up one fundamental fact. The existing relations in the determination of the incomes of citizens and their households (which was strongly influenced in the nineties by the situation under the previous regime) mean that there is only a very narrow corridor for the minimum wage level to function in rationally. A second finding is that if there is to be motivation to work and a reduction in social parasitism, the disposable incomes from the minimum wage must be higher than the incomes guaranteed by social benefits at the level of the subsistence minimum for individuals and must gradually come closer to the subsistence minimum of a four-member complete-family household. Analyses

The uniform (all-branch, all-profession) minimum wage is a point of intersection of social and political interests

indicate that the number of recipients of wages close to the minimum wage who, in view of the relatively high subsistence minimum, are at risk from the trap of social unemployment and parasitism is around 750,000. The debate led to the conclusion that the basis of motivationally effective ties between wage and social incomes is a level of wages in the low income groups that would provide a clearly higher standard of living than the social benefits of the subsistence minimum. That is the case in western European states. There must be a reasonable gap between the minimum wage and average wages to ensure that wage costs are feasible for businesses and unemployment does not rise. Practical policy requires state organs to find rational compromises between the aforementioned contradictory requirements, based on analyses and dialogue with the social partners. Since 1993 an exceptionally low minimum wage policy (table VI/15) has been applied. This has brought bad economic and social consequences. There is an increased tendency towards social unemployment and parasitism, the risk of the poverty trap has got greater. Social benefits de facto become employers' subsidies for low wages; imports of foreign labour, willing to work for low wages, increase and wage discrimination against foreigners and "social dumping" both emerge. The way to suppress these negative tendencies is to revive the function of the minimum wage. This can be done by gradually changing its level so as to create the necessary ratio to social benefits assuring the subsistence minimum and so that there is enough time to adapt the wage structure without dramatic consequences for employment levels.

Table VI/15 Fundamental relations between the minimum wage, the average wage and the subsistence minimum in 1991 to 1999

	CZK (CSK)/month						Indexes				
	Minimum wage (MW) ¹⁾		Average wage (AW) in the Czech Republic		Subsistence minimum (SM) for a household ¹⁾		MW _g	MW _n	MW _n	AW _n	AW _n
	gross	net	gross	net	1-member	4-member	AW _g	SM ₁	SM ₄	SM ₁	SM ₄
	MW _g	MW _n	AW _g	AW _n	SM ₁	SM ₄ ²⁾					
1991	2 000	1 750	3 792	3 087	1 700	5 600	0.527	1 029	0.313	1.816	0.551
1993	2 200	1 925	5 817	4 613	1 960	6 400	0.378	0.982	0.301	2.396	0.721
1995	2 200	1 925	8 172	6 341	2 440	7 840	0.269	0.789	0.246	2.599	0.809
1997	2 500	2 188	10 696	8 353	3 040	9 570	0.234	0.720	0.229	2.435	0.873
1998	2 650	2 319	11 688	9 140	3 430	10 470	0.227	0.676	0.254	2.665	0.873
1999 (1 st half.)	3 250	2 844	12 063	9 433	3 430	10 470	0.269	0.829	0.272	2.750	0.901

Sources: Digest of Laws of the Czech Republic; ČSÚ (1994 – 1999) Statistická ročenka ČR; FSÚ (1991 – 1993)

Statistická ročenka ČSFR

Notes and explanations: ¹⁾ Values applicable as of the end of the period, ²⁾ adults, 2 children 10 – 15 years of age

3. **Household income and expenditure**

The following were the main features of the changes in household income and expenditure in the nineties: large changes in nominal financial incomes linked to the rise in consumer price levels; fluctuation of the real purchasing power of nominal wages; a strengthening of income differentiation in the main socio-economic cross-sections; and substantial changes in the structure of expenditure within a very short time.

3.1. **C h a n g e s i n n o m i n a l a n d r e a l w a g e s**

The volume of households' financial incomes and their average level per capita in the scope recorded by official statistics (balance of the population's income and expenditure, national accounts) and by statistics on the socio-economic characteristics of households (microcensus, family accounts statistics) does not include all the actual incomes of households. They mainly lack incomes deriving from the shadow economy, whose exact size is almost impossible to determine [note 3]. The statistics of macroeconomic aggregates work with more complete data and links and therefore provide more detailed information than statistics based on sampling methods and respondents' replies, where incomes are always undervalued [note 13]. Sample surveys are beneficial, however, in that they provide information of the incomes of households by their socio-economic features.

These facts, along with the changes in the research methods, mean that the information on changes in households' nominal and real incomes is merely approximate; even so, it gives a sufficiently reliable picture of the fundamental tendencies.

All the sources clearly show that households' nominal incomes have grown very fast during the nineties, and the growth was similar in overall volume, in terms of volume per capita, per household and per person living in a household. According to the macroeconomic data (table VI/2) the nominal volume of household incomes increased 3.8 times between 1990 and 1998; according to the microcensus data the average financial income per person in a household increased 3.5 times over ten years (1988–1998) (table VI/16). The nominal increase in financial incomes was not just a passive reflection of changes in the consumer price levels. It involved substantial changes in the structure and differentiation of incomes. Economic and market factors are slowly making their way into income development, in place of demographic elements and the ratio of earners to dependants. The greater dynamism of financial incomes is an elementary precondition of these conditions.

Table VI/16 Nominal and real financial incomes of households per capita from 1988 to 1998

	Specific unit	Absolute figures				Indexes					
		1988	1992	1996	1998 ¹⁾	92/88	96/92	96/88	98/96	98/92	98/88
Net monthly financial income per person in a household											
a) in nominal terms	CZK/month	1 860	2 809	5 289	6 486	1.510	1.883	2.844	1.226	2.309	3.487
b) in real terms (at 1988 prices) ²⁾	CZK/month	1 860	1 452	1 733	1 770	0.781	1.194	0.932	1.021	1.219	0.952
Number of households	thousand	3 804.6	3 836.0	3 822.4	3 825.0	1.008	0.996	1.005	1.008	0.997	1.005
Number of people in a household	person	2.67	2.66	2.66	2.66	0.996	1.000	0.996	1.000	1.000	0.996
Volume of net annual financial incomes											
a) per household	CZK thousands/year	59.6	89.7	168.8	207.0	1.505	1.883	2.833	1.226	2.308	3.478
b) all households	CZK billions/year	226.7	343.9	645.3	791.9	1.517	1.876	2.846	1.227	2.303	3.493

Sources: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996, ČSÚ (1996 – 1998) Statistika rodinných účtů

Notes and explanations: ¹⁾ Estimate according to data on household incomes and expenditure (family accounts statistics) in 1996 and 1998; ²⁾ Consumer price indexes were: from 1992/1988 – 1.935; 1996/1992 – 1.557; 1996/1998 – 3.052; 1998/1996 – 1.201; 1998/1992 – 1.895; 1998/1988 – 3.665.

Social tension in these processes was aggravated by considerable fluctuations in the real purchasing power of household incomes. During the early period of social transformation (1989–1991) it fell by roughly a quarter. A complex of political, economic and social factors prevented the public reacting in a way that would have led to the hyperinflation typical of a number of post-communist countries. The main factors were the mechanisms chosen for the privatisation of state and co-operative property, which made a large part of the population expect a short period of difficulty that would quickly be overcome. For that reason a general willingness to tighten its belt for a short while was prevalent.

Another fundamental factor in the endurance of social stability was the rise in the real purchasing power of the average household incomes from 1992 to the present day. The national accounts show that the current incomes of households rose by a factor of 2.4 from 1992 to 1998; the microcensus gives a factor of 2.3 per person in a household. At a 1.894 consumer price index, that represents an increase in purchasing power of 27% and 22% respectively. The rise in income levels ran ahead of the real increase in gross national product, causing imbalance and contributing to economic recession in the Czech Republic. That recession has been peaking from 1997 to 1999.

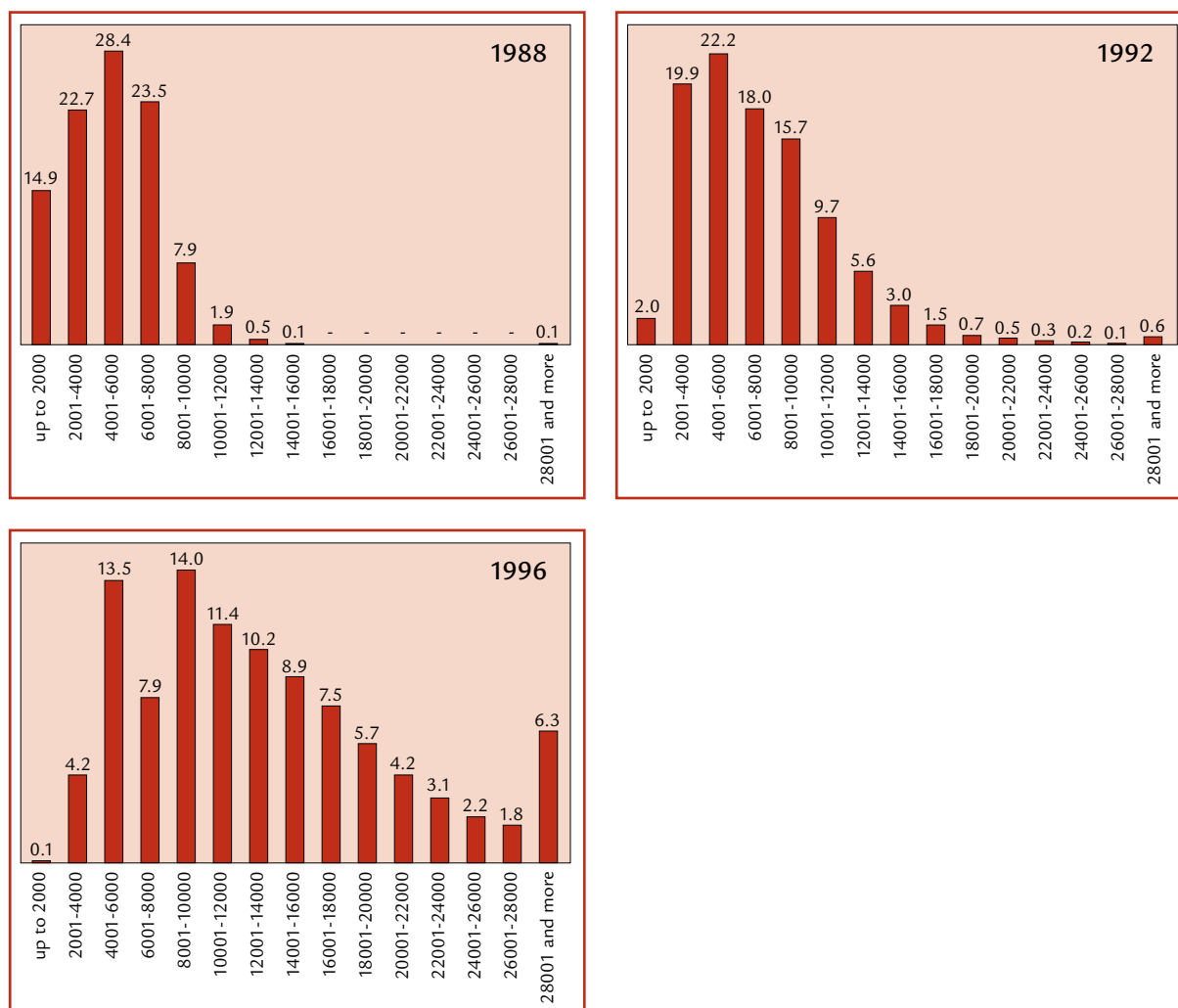
3.2. I n c o m e d i f f e r e n t i a t i o n

The income differentiation data provided by microcensuses and family accounts gives an insight into the processes actually taking place in household incomes in the nineties. It reflects both long-term factors determined by the essence of the socio-economic transformation and temporary influences caused particularly by the changes in the political lines of subsequent governments and by the boom-related economic fluctuations. One fundamental process that will continue to influence households' incomes for a long time is the declining significance of demographic factors (the size and composition of households as regards the ratio of economically active people and dependants) and the increasing weight of differentiated incomes of individual household members from gainful activity and from other economic activities. Differences in incomes from gainful activity have become so pronounced in the nineties that high incomes of individuals can far exceed the incomes from gainful activity of another person (or others) in a household. The chief consequence is a constant environment of activity and work performance of individual household members. The overall character of household stratification by overall income levels is also changing, with households with fewer employed people able to occupy a position in the upper levels of the income scale.

In the nineties, the dominant tendency was a widening of income differentiation in households, in terms of overall incomes, in terms of income per person living in a household and also in conversion to any of the systems of consumption units that limit the extremes of household stratification when measured by overall incomes or income per capita [note 14].

[The data from the 1988–1996 microcensuses on households' net financial incomes, including an estimate until 1998, is given in table VI/F in the appendix.] Graph VI/2 shows the tendency of widening income differentiation.

Graph VI/2 Breakdown of households by net financial incomes per household (percentages of total households)



Source: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996

The differentiating changes in overall incomes reflect the proportion of overall income volume accounted for by the twenty-percent groups of households. In the first phase of social transformation (up to 1992) an intensive pro-differentiation change took place at the same time as the real purchasing power of incomes fell at all income levels. The greatest nominal increase in incomes was experienced by the one-fifth of households with the highest income levels (almost 70%), followed by the one-fifth of households with the lowest incomes (about 60%). The above-average increase in the lowest overall incomes was influenced by the government's policy of providing universal social benefits and pensions and the application of official income minima (minimum wage, minimum pension, subsistence minimum as the lowest guaranteed income).

The initial rates of the income minima set in 1991 were relatively high. After that (1992–1996) the speed of the differentiation process abated whilst the

There is a tendency towards greater gradation in incomes

real purchasing power of all households' incomes rose, albeit by different degrees. The income brackets grew at the upper and lower branches of the income range. The growth of low incomes was considerably slowed down by the government's liberal policy of freezing the minimum wage, the implementation of means-testing for social benefits and benefits to families with children in particular and the tightening of the conditions for providing unemployment benefits and for valorisation. Over the entire period (1988–1996) we can see the slowest nominal movement in overall incomes in the middle of the income scale. That is a signal that the costs of social transformation were shifted to the middle-income group.

The data on the differentiation in income per capita in a household (table VI/F) confirms the overall income gradation tendency. The variation coefficient and the right-sided asymmetry in income distribution grew. The growth of the lower income segment compared to medium wages was faster in the first phase of transformation. The P_{95}/P_5 and P_{90}/P_{10} coefficients widened whilst the medium wages band stagnated.

The overall development of differentiation of the incomes of all households was greatly influenced by two conflicting processes. The first consisted in the pronounced pro-differentiation process taking place in incomes from gainful activity and other economic activities (wages, mixed income of the self-employed, incomes from property and assets etc.) throughout the income scale. The gradation of net financial incomes per capita in households headed by an economically active person increased throughout the nineties. The second, conflicting process was the considerable constriction of relative differences in income in pensioners' households where old-age or disability pensions are the main component of overall incomes. The determination of pensions is based on a detailed legal definition of claims. The link to changes in incomes from gainful activity is made less immediate and diminished. The guaranteed minimum pension and valorisation mechanisms determined movements in the level and differentiation of pensions (and thus also the incomes of pensioners' households). In the case of valorisation, the trend of relatively faster growth in lower pensions continued, narrowing differentiation. The goal was to ensure that even households with low pensions (or low overall incomes) had an acceptable standard of living.

These differentiation processes are described by the positional indicators of the spread of households by the size of net incomes per capita both in households headed by an economically active person and in pensioners' households (table VI/17 and graph VI/3). The data shows that the increase in the differentiation range of incomes occurred smoothly throughout the period under scrutiny and throughout the income scale, i.e. on both poles of the income scale and also in the middle income bands. The narrowing in the differentiation of pensioners' household incomes meant a fundamental change in their relation to the income level of the households of

**Economic incomes
are becoming
differentiated whilst
pensions are levelled**

economically active people and in their position in the income spread of all households. Incomes per capita in pensioners' households in the lower part of the income spread grew so much that they moved a long way up the overall income scale. They are higher than the incomes per capita of households of economically active people, which took their place in the low positions of the overall income spread (meaning chiefly larger households with a large number of dependent children).

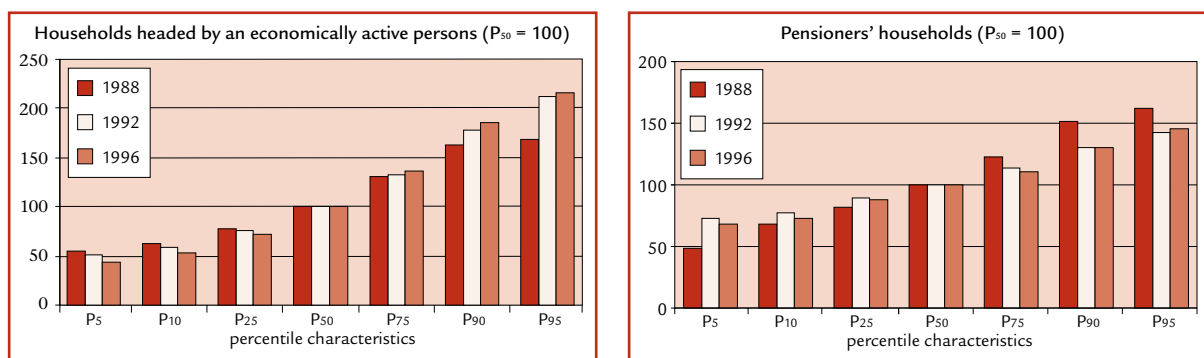
Table VI/17 Percentile characteristics of the breakdown of the households of economically active people and pensioners by the size of net monthly income per capita in households from 1988 to 1996 (CZK/month)

Percentile characteristics	Households headed by an economically active person				Pensioners' households			
	1988	1992	1996	96/88 real purchasing power	1988	1992	1996	96/88 real purchasing power
P ₅	1 070	1 438	2 278	0.698	714	1 800	3 068	1.408
P ₁₀	1 223	1 648	2 793	0.748	1 015	1 903	3 294	1.063
P ₂₅	1 503	2 110	3 756	0.819	1 206	2 206	3 973	1.080
P ₅₀	1 949	2 772	5 226	0.879	1 480	2 469	4 493	0.995
P ₇₅	2 559	3 700	7 122	0.912	1 807	2 821	4 998	0.906
P ₉₀	3 177	4 915	9 735	1.004	2 250	3 218	5 842	0.851
P ₉₅	3 296	5 855	11 254	1.119	2 400	3 517	6 524	0.891
A ¹⁾	1 973	2 960	5 623	0.934	1 566	2 514	4 591	0.961
	96/88				96/88			
P ₉₅ /P ₅	3.081	4.072	4.939	1.603	3.363	1.953	2.127	0.632
P ₉₀ /P ₁₀	2.599	2.982	3.485	1.341	2.216	1.691	1.773	0.800
P ₇₅ /P ₂₅	1.702	1.753	1.896	1.114	1.499	1.279	1.258	0.839
A/P ₅₀	1.012	1.068	1.076	1.063	1.056	1.018	1.022	0.968

Sources: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996

Notes and explanations: ¹⁾ Arithmetical average

■ **Graph VI/3 Differentiation of incomes per capita in households headed by economically active persons and pensioners from 1988 to 1996**



Sources: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996; VÚPSV calculations

3.3. Dynamics and structure of household expenditure

In the 1990s households' material standards of living [note 15] were influenced by the complicated development of the surrounding environment. There were fast and differentiated changes in both household incomes and prices. These movements had a fundamental impact on household expenditure and its structure.

At the start of the transformation period (1989 – 1990) expenditure structure was marked by the large share of expenditure on nutrition (34% of total expenditure in households of employees, 45% in pensioners' households) and the low share of housing costs (10% in employees' households, 13% in pensioners' households). This expenditure structure consigned the Czech Republic to the ranks of the other states of the Soviet bloc and countries lagging behind in economic and social development. In 1990, the shares of these two components in overall expenditure were 36% and 10% respectively, in Poland 54% and 13%.

Expenditure structure was primarily a reflection of the previous universal and long-term levelling of incomes, consumption and life in general. The centrally fixed prices had a fundamental influence. Housing costs were a typical example: they deformed the demand for houses and flats and practically barred all economic mechanisms and criteria from housing policy. These deformations have had a major impact on housing right up to the present day [for more details see part VI.3.4]. The central fixing of consumer prices brought a series of consequences – excessive consumption and waste, e.g. in foodstuffs, medical products and services, a lack of resources in other areas (devastation of the housing stock as a result of low rent). The savings in household expenditure brought about by the low "social" prices spilt over into other areas, where demand consequently exceeded centrally determined

supply. Paradoxically, these deformations created space for the emergence of rational economic price proportions in the transformation period.

Consumer price levels developed differently in individual expenditure blocks in the nineties and fluctuated over time (table VI/18). There were two main impulses for the rise in consumer price levels – price liberalisation in January 1991 and tax reform starting in 1993. These and other factors affected various commodities with varying intensity. The most pronounced rise came in housing prices (which rose by a factor of 6.3 between 1989 and 1998). That was caused chiefly by the deep price deformations from the totalitarian regime. There was similarly pronounced growth in prices in education expenditure (to 6.3 times the 1989 level), where the main factors were the rises in transport fees for school and university students (with relief shifted into social benefits), the price of meals in school and university refectories, accommodation in halls of residence and the greater commercialisation of secondary-school and university services and auxiliary education (language schools and courses, driving schools, elementary art schools etc.).

**Pronounced
differentiation in
price development by
expenditure
consumption blocks**

Table VI/18 Changes in consumer price levels by commodity (purpose of use) from 1989 to 1998

Consumption commodity	Consumer price indexes					
	compared to 1989					
	1992	1996	1998	1996/1992	1998/1996	1998/1992
Food, beverages, tobacco	1.753	2.708	2.991	1.545	1.105	1.706
Clothing and footwear	1.883	3.016	3.484	1.602	1.155	1.850
Housing	2.362	4.072	6.293	1.724	1.545	2.638
Household equipment and operation	2.006	2.726	3.042	1.359	1.116	1.516
Health	1.539	3.020	3.310	1.962	1.096	2.151
Transport	1.902	2.871	3.370	1.509	1.174	1.772
Leisure	1.869	2.981	3.404	1.595	1.142	1.821
Education	2.082	4.978	6.336	2.391	1.273	3.043
Hotels, café and restaurants	1.874	3.059	3.551	1.635	1.161	1.898
Miscellaneous	1.699	2.710	3.161	1.595	1.166	1.861
Total	1.909	2.562	3.077	1.342	1.201	1.612

Source: ČSÚ (1993 – 1998) Index spotřebitelských cen; MPSV calculations

The smallest growth came in nutrition prices (foodstuffs, beverages including alcohol, savoury herbs including tobacco). Practically throughout the nineties the price rises in nutrition remained below the average increase in consumer prices. On the supply side that was made possible by the sufficiency or even surplus of internal capacities in agriculture and the foodstuffs industry and strong foreign competition. Demand was

constrained by the reduction in expenditure on these commodities under pressure from the expenditure on other blocks and by a marked reduction in the long-term excessive consumption of foodstuffs. Nutrition analyses somewhat surprisingly show that the rises in foodstuffs prices and the fall in the real purchasing power of the population's incomes were accompanied by an improvement in the structure of nutrition, positively influencing the population's health. Consumption of pork and beef, animal fats, eggs and sugar universally fell, whilst consumption of poultry, potatoes, vegetables and other fruit rose.

The differentiated increase in the consumer prices of individual commodities has an effect on the structure of household expenditure (table VI/19 and graph VI/4). We can say that despite the still large gap, the expenditure structure of Czech households is starting to come close to the structure in western European countries. In the nineties the share of expenditure on nutrition fell sharply and the share of expenditure on housing rose.

**Expenditure
structure's
approximation of
western European
countries**

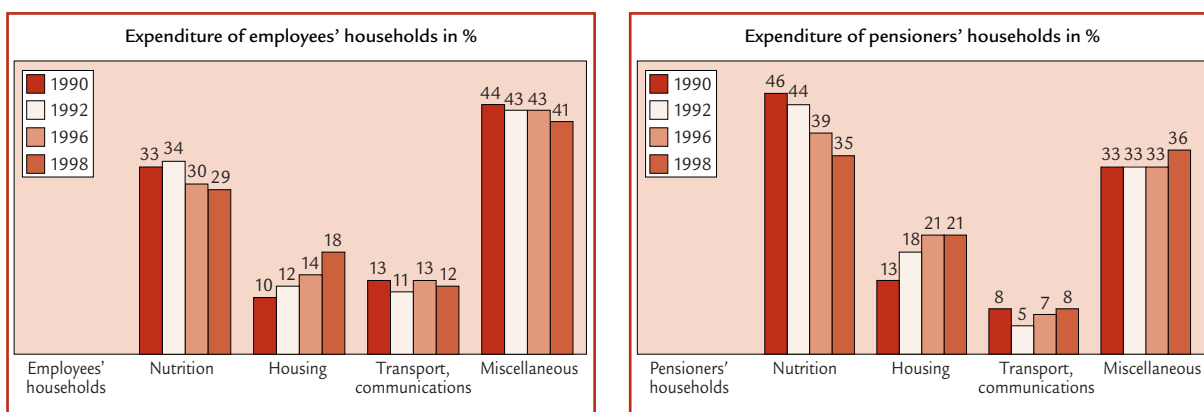
Table VI/19 Structure of net (disposable) financial expenditure per capita in basic socio-economic types of households from 1990 to 1998

Type of household	Share of expenditure (in %)			
	1990	1992	1996	1998
Households of employees				
Nutrition ¹⁾	33.4	33.5	30.4	28.7
Housing	9.6	12.2	13.7	18.2
Transport and communications	12.7	11.0	12.8	11.9
Miscellaneous	44.3	43.3	43.1	41.2
Income per capita in household (CZK/month)	2 093	2 964	5 307	6 443
Households of s/e²⁾				
Nutrition ¹⁾	- ³⁾	29.1 ⁴⁾	28.6	27.5
Housing	-	12.7	12.1	18.4
Transport and communications	-	14.2	13.6	10.6
Miscellaneous	-	44.0	45.7	43.5
Income per capita in household (CZK/month)	-	3559	5897	6762
Pensioners' households				
Nutrition ¹⁾	46.2	44.2	39.2	34.9
Housing	12.9	18.1	21.3	20.8
Transport and communications	7.7	5.1	6.6	8.2
Miscellaneous	33.2	32.6	32.9	36.1
Income per capita in household (CZK/month)	1 762	2 626	4 649	5 905

Source: ČSÚ (1990 – 1999) Příjmy, vydání a spotřeba domácností; MPSV calculation

Notes and explanations: ¹⁾ Including alcohol and tobacco, ²⁾ Self-employed people, ³⁾ Not recorded, ⁴⁾ 1993

■ Graph VI/4



Sources: ČSÚ (1990 – 1999) Příjmy, vydání a spotřeba domácností; MPSV calculations

There are differences in expenditure structure between the households of various social groups. One distinct feature is that pensioners' households spend more than half their incomes on nutrition and housing. This expenditure per capita is also higher in absolute terms in pensioners' households than in self-employed people's households (in 1998 it was about CZK 3600 per capita per month, whilst in households of economically active people the figure was around just CZK 3000). This is partly the effect of the stage in life, which for pensioners leads to lower expenditure on other commodities, and the smaller number of people living in these households. At an average of 2.5 persons living in a household in 1998, 2.81 persons live in the households of people in employment, 3.17 in households of the self-employed and 1.49 persons in pensioners' households.

In the course of the nineties the expenditure structure of all types of households became more uniform, however. The share of expenditure on nutrition and housing rose in households of economically active persons and fell in pensioners' households (creating room for expenditure on non-essential needs).

The structure of expenditure is also significantly changing in relation to income levels per capita in a household (table VI/20). The higher the net income per capita, the lower the share of expenditure on nutrition (whose absolute level is growing more slowly than overall net income per capita) and the higher the share of expenditure on housing (higher standard of living) and less essential needs. Economies of scale are also evident. As a rule, more people live in households with lower incomes per capita than in households with higher incomes.

Table VI/20 Structure of net financial expenditure per capita in households with low and high incomes¹⁾ in 1998

Type of expenditure	Incomes of households					
	employees		s/e ³⁾		pensioners	
	low	high	low	high	low	high
Nutrition ²⁾	33.2	23.8	31.7	23.4	40.0	30.1
Housing	17.5	21.0	16.1	23.2	24.7	29.7
Transport	10.3	12.4	10.0	10.0	5.5	5.9
Miscellaneous	39.9	42.8	42.8	43.4	29.8	34.3
Income per capita in household (CZK/month)	4 205	10 800	4 376	11 344	4 710	7 467

Source: ČSÚ (1998) Statistika rodinných účtů

Notes and explanations: ¹⁾ Low incomes – 25% of households with lowest net incomes, high incomes – 25% of households with highest net incomes, ²⁾ Including alcohol and tobacco, ³⁾ Self-employed people.

3.4. Housing – sore point in the standard of living of Czech households

Housing is one of the most fundamental factors in quality of life. To a large degree the affordability and standard of housing determines the development of personality, the harmoniousness of family ties and the intimacy of life. It has broad economic contexts (spatial mobility, multiplier effects of housing construction etc.), demographic and population contexts (affordability of housing and natality) and social contexts (relations between generations when sharing a household, landlord/tenant relations etc.).

A characteristic feature of housing is the considerable inertia resulting from high cost and difficulty of the changes. The extent and quality of housing cannot be influenced in a short period of time. New construction is always just a fraction of the existing housing stock built up over decades and centuries. Past events and decisions put limits on the possibilities of the present. Influencing and improving the housing situation is therefore a continuous process that bridges fundamental changes in social systems.

These contexts have come to the fore in the Czech Republic in the nineties. The switch in housing and housing construction from a totalitarian, bureaucratic system to democratic, market conditions has proved to be one of the most problematic areas.

The key features of the situation before 1990 were the following:

- The state wielded extensive influence, ensuring cheap housing for the population, i.e. low rent, cheap energy and communal services, through its regulatory interventions. The actual costs of housing and housing construction were covered by extensive appropriations from the state budget and from state firms' resources. The state and state

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firms were also (along with construction housing co-operatives) the main investors in construction in blocks of flats.

- There was substantial private construction of family houses (proprietary housing), chiefly in the countryside. This do-it-yourself construction, despite state support in the form of subsidies, often concealed a large scale of semi-legal and illegal economic activities that cut the cost of acquiring a house (non-market low prices of building materials, abuse of corporate transport, often stolen building materials and utility fittings, cheap work on the side, all at the same time as working hours in official employment etc.).

Households' extremely low housing costs (which made up less than one-tenth of expenditure in the budgets of households of employees; see part VI.3.3. and table VI/19) meant that income-cost restrictions were completely eliminated in the use of housing. Almost everyone could afford almost any available flat at its official cost. This led to absolute levelling, which the state and later housing co-operatives tried to tackle (insufficiently, of course, giving rise to room for bribery) by administrative flat allocation based on social criteria. The practically unrestricted demand, in price terms, for flats could not be satisfied by any housing construction. The outcome was a "shortage" of flats. A black market in flats developed, supplementing the lack of official economic criteria.

The housing policy of the time led to a number of other negative consequences. Particularly significant was the overall dilapidation of the housing stock owing to the lack of modernisation, repairs and general maintenance, for which no money was made available. At the start of the nineties the deferred costs were estimated at CZK 100 to 200 billion. The increase in the number of uninhabited flats was also significant. Owners of family houses did not tend to let their free flats be used as this brought little economic benefit and it was almost impossible to evict tenants. Another phenomenon was the increase in the number of housing units used by the urban population for secondary (recreational) housing in the countryside. This phenomenon, which is typical of the Czech Republic, has its roots in the post-war freeing up of housing after the deportation of the Sudeten Germans and was able to continue due to the fall in the countryside population and households' overall low cost of housing.

Overall, it is fair to say that despite the levelling of housing and the prices for use of housing, the devastation of the housing stock, the unwarranted differences between the cost of housing in state and co-operative flats, the black market and semi-legal construction, at the start of the nineties there was no pronounced shortage of housing in the Czech Republic that might lead to social tension and hardship. That state of affairs could not be maintained, however, as regards either institutions or the system. Fundamental conceptual changes were required. Table VI/21 summarises the

basic data from a census of people and housing in 1991, which characterises the initial state of the housing stock.

Table VI/21 Structure of housing stock in the Czech Republic according to a 1991 Census of People and Housing

Indicator	Total housing units	Percentage	of which				
			Capital city	Special-status cities	Other district capitals	Others towns	Other municipalities
Total number of housing units	4 077 193	100.0	516 293	710 482	679 190	839 455	1 331 773
of which permanently inhabited	3 705 681	90.9	495 804	677 351	642 230	774 715	1 115 581
permanently uninhabited	371 512	9.1	20 489	33 131	36 960	64 740	216 192
Permanently inhabited housing units	3 705 681	100.0	495 804	677 351	642 230	774 715	1 115 581
of which:							
in family houses	1 525 389	41.2	58 836	121 403	141 597	311 915	891 638
in blocks of flats	2 149 963	58.0	433 672	552 555	496 293	455 414	212 029
in other buildings	30 329	0.8	3 296	3 393	4 340	7 386	11 914
of permanently inhabited: ¹⁾ in thousands.	3 705.7	100					
Rental flats	2 113	57					
of which							
in family houses	44	2					
in other private houses	289	8					
in housing co-operative's houses	746	20					
in state and municipal houses	1 003	27					
Proprietary sector	1 551	42					
of which							
in family houses	1 509	41					
in blocks of flats and other buildings	42	1					
Other legal reason for use	42	1					

Source: MMR (1999) Vybrané údaje o bydlení

Notes and explanations: ¹⁾ Applied according to a sample survey on the structure of the housing stock (Czech Statistical Office, 1994)

The housing policies of the liberal governments (up to 1997) were based on the following principles:

- transformation in housing is an integral part of the overall, quickly implemented transformation strategy and does not in principle require specific procedures;
- the role of the state in administration of the housing stock and in construction of new flats should be minimised, with powers and responsibilities transferred to local authorities;
- maximum personal responsibility for own housing (adjusting housing to suit own possibilities and incomes), with proprietary housing taking precedence;

Transformation of housing management
– concepts, problems

- maximum use of the private sector in housing both in the area of ownership of the housing stock and in housing construction.

The implementation of this housing policy soon demonstrated its limits and unfeasibility and had to be corrected. The procedures were criticised both by the advocates of rigorously liberal policy and by those who were in favour of larger-scale state interventions and emphasised the social aspects of housing. During the nineties the housing situation was mainly influenced by price liberalisation, the suppression of practically all state appropriations to housing construction and the operation of housing, by denationalisation and the partial privatisation of the housing stock and by policy on rental housing.

Price liberalisation pushed up prices in the construction industry. Between 1989 and 1993 the prices of building materials and labour more than doubled, with a further rise of roughly 50% up to 1998. Combined with the scrapping of appropriations for housing construction, that brought a marked increase in the cost of acquiring new flats. Several consequences of this development can be seen. In the area of family house construction, solvent demand fell; in the area of construction of blocks of flats investor activity became extremely limited. The decline in construction is pronounced (table VI/22) [note 16]. The increment in housing units fell below the level of simple replacement, so the size of the housing stock has been falling during the nineties. There are no exact records, however. For detailed structural data we will have to wait for the census of people and housing in the year 2001.

In the closed market, the higher price of new housing units was also transferred to older flats. A free (semi-legal) market in flats emerged, with prices governed by supply and demand. There is substantial price differentiation between Prague, other towns and the countryside (roughly in a ratio of 3:2:1). Proprietary housing, whether in the form of the building of new housing units or purchases on the free market, is becoming unaffordable for the vast majority. Mortgage loans have helped about 7-9% of Czech households afford new construction of a housing unit. In the second half of the nineties the price of the average new housing unit in proprietary construction ranges from five to ten times the total annual disposable incomes of the average Czech household. The concept of the fast expansion of proprietary housing is proving to be unfeasible.

Table VI/22 Price level and extent of construction of new housing units from 1988 to 1998

Year	Price (acquisition cost) of a finished housing unit in construction (CZK thousands)		Number of finished housing units in construction ²⁾	
	individual (family houses)	state, co-operative, corporate	individual (family houses)	state, co-operative, corporate
1988	305.2	147.3	14 730	35 970
1989	318.9	148.9	16 238	38 835
1990	340.1	171.5	17 172	27 422
1991	394.8	162.3	10 426	31 293
1992	542.7	— ¹⁾	12 500	23 897
1993	731.0	— ¹⁾	14 316	17 193
1994	1 116.4	— ¹⁾	7 373	10 789
1995	1 437.5	936.5	7 413	5 249
1996	1 780.2	868.8	5 663	4 143
1997	2 143.6	1083.2	6 509	4 568
1998	—	—	8 336	6 827

Sources: ČSÚ; MMR

Notes and explanations: ¹⁾ Not recorded, ²⁾ Not including extensions and added storeys

The transfer, free of charge, of a huge portion of housing stock (over 800,000 flats) from the state to municipalities was effected without sufficient preparation and with a number of confused preconditions. The longer-term role of the municipalities in implementing housing policy on their territory was not worked out in sufficient scope. The role of affordable rental housing on the housing market was underestimated. The concept of municipal housing stock as a source of income for municipalities, based on the selling off of flats at low prices, was a fundamental risk. If the procedure had been applied more widely, it would have paved the way for large-scale speculation in housing. For the moment the municipalities have been proceeding cautiously and have sold off around just 160,000 housing units to their users, mostly by selling entire buildings to associated owners of flats. The risks of housing speculation were thus minimised. At present most municipalities have reached the conclusion that they must hold on to part of the housing stock as the basis for social housing (rental flats) for households on low incomes.

At the start of the nineties there was partial privatisation of the housing stock in the form of restitution. Roughly 200,000 housing units, or rather blocks of flats with that number of flats, were restored to their rightful owners. This created a strong group of private landlords, mainly concentrated in towns, which soon formed an association to protect its interests (Landlords' Association). Its basic tenets are clear: creating the right conditions for unregulated, contractual lease relations from the point of view of the size of

rent, severing lease agreements and the possibilities for tenants to terminate a lease. Its lobbying of parliament and the government has not met with much success to date, however.

In view of the current relationship between the level of regulated rent and the costs for maintaining buildings, restitution has become a poisoned chalice for many private owners of blocks of flats. A number of alternative solutions have emerged, alongside deferring repairs and maintenance. Owners sometimes strive to move out tenants protected by regulated rent so that they can let the flat for a contractual (unregulated) rent. This procedure has many limitations (getting the flat vacated, the subsequent cost of reconstructing the flat, sufficient solvent demand). Another technique is transforming flats into non-residential spaces for commercial use (such spaces can bring in several times higher rent). Some real estate has been sold to foreigners at prices that, in view of exchange rates and price differences, are acceptable to both sides. That mostly concerns lucrative real estate in the centres of large towns and spa towns. Households that are targeted in efforts to vacate flats are often persecuted by landlords and their living conditions disturbed (stopping supplies of energy, making the housing more unaffordable etc.). There have even been instances of serious crimes motivated by this desire.

During the nineties the rental housing sector has become more and more dominated by two basic problems – the level and structure of the cost of using a housing unit and the legislation governing lease relations. In the light of the prices of housing and construction after prices were liberalised in 1991, the unsustainability of the low cost of rental housing became more apparent. The government opted for a policy of gradual deregulation of prices in the individual components of rental housing cost. The concept of price liberalisation in quick jumps was rejected.

The relationship between the deregulation of the cost of energy and services and of rent proper came to be a key problem. Pressure from strong interest groups of the monopoly generators and suppliers of energy (electricity, gas, solid fuels) and services related to housing (water, rubbish collection) led to deregulation of the prices of these costs being given precedence over rent deregulation and was even more intensive for a certain period (until 1993)

[tables VI/G and VI/H in the appendix].

At present, rent forms roughly a third of the cost of rental housing, whilst in western European countries the costs ratio is the opposite – roughly two-thirds is rent and one-third costs for energy and services. Today developments are heading down a dead-end. The level of regulated rent is low, particularly for private owners of blocks of flats who want to run the buildings on a profit-making principle. Total costs for rental housing have already achieved the share of overall net household incomes (21% for the

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housing**

average household) that is customary in European Union states, so any further growth will come up against socio-economic limits.

Legislation on lease relationships is contained in the Civil Code of the Czech Republic. It is based on the principle of protecting tenants, in that court consent is required for a landlord to terminate the lease of the vast majority of tenants (users of a housing unit before restitution); in most cases the landlord also has to supply reasonable alternative housing. This legislation is based on an assessment of the situation as a housing emergency and is designed to prevent citizens being thrown out into the street. Yet it has a number of bad consequences for relations between landlords (especially private landlords) and tenants. Private landlords regard the current legislation on lease relations as discriminatory.

4. **Poverty in Czech society in the nineties**

The negative influence with ownership and income structures in the period of real socialism also distorted the nature of poverty. Under conditions of full employment, the necessity of two incomes in the family in order to ensure the basic standard of living, a considerable equilibrium in work-related incomes and relatively generous, non-tested social benefits, the gradation of household living standards depended largely on demographic characteristics, on the number of members in a household and the ratio of economically active persons to dependants. That meant that low-income households were chiefly households with a large number of members, incomplete families (with one earner) and, owing to the conditions for providing old-age pensions, some pensioners. The regime's official policy did not admit the problem of poverty. There were no specific methods for suppressing instances of poverty and the limited expert debate was only allowed under the cover name of "households with limited consumption possibilities".

Peculiarities of poverty in totalitarian society

The transformation of Czech society during the nineties brought flexibility and differentiation in the status and living standards of citizens and their households. People have the chance for upward mobility in terms of property and incomes, but must also be able to cope with the risk of quick descent. The property and income bracket has widened considerably and there have been movements in the position occupied by households on the income scale. All these phenomena carry a risk of new poverty and social exclusion. During the nineties, when the collapsing old socio-economic structures intermingled with still unstable new structures, risks of the older demographic poverty and younger market poverty have existed side by side. The emerging social risks meant that heightened attention had to be paid to the reasons, scope and reduction of material privation and social exclusion. Besides the broader sweep of social protection techniques (healthcare,

The transformation of society also transforms poverty

sickness, accident, disability and pension insurance, unemployment benefits, social benefits to families etc.), specific mechanisms forming a social safety net were prepared and introduced right at the start of the transformation period. The social safety net is designed to safeguard people who have unwillingly and without fault found themselves in poverty and for whom there are no other sufficient social protection devices. These mechanisms mainly include the set of minimum income quantities such as the minimum wage, the minimum pension when the sole source of income and the subsistence minimum as the minimum guaranteed income. The official subsistence minimum takes centre position in the system. Municipalities and charitable organisations also provide social care for such people.

The official subsistence minimum provides temporary protection from material and social need. It expresses the socially recognised lowest level for a citizen's income (income of a household sharing income and expenditure) that is sufficient to cover the sum of possessions and services necessary to satisfy basic needs temporarily and on a very modest level. This level of possessions and services is viewed as the level necessary for inclusion in normal life. The official subsistence minimum thus creates protection from temporary income insufficiency at a bottom level of acceptable poverty.

The analyses conducted as part of the preparation of the subsistence minimum act (1991) worked on the assumption that the minimum incomes would serve to cover all aspects of consumption of Czech (then Czechoslovak) households, not including expenditure on acquiring and renewing articles of long-term consumption and on acquiring items and services of a non-essential nature. As expenditure on articles of long-term consumption is excluded, the subsistence minimum only provides protection from material need temporarily. If the income insufficiency is not eliminated within roughly 12 to 18 months, other social protection devices must be used (one-off aid to renew articles of long-term consumption, aid in kind etc.). As far as the level of ordinary (short-term) consumption is concerned, it was set at a level corresponding to either normatively fixed rational consumption (nutrition requirements acquired on the market) or (for other consumption articles) at the level of somewhat reduced actual consumption of low-income groups of households.

In terms of its structure and level, the summary official subsistence minimum in the Czech Republic is formed by the building-block method. Nine primary amounts (modules) of income minima are stipulated. Five amounts are laid down to cover the nutritional and other basic personal needs of dependent children by age (up to 6 years old, 6 to 10, 10 to 15, 15 to 26) and all other adults. The four remaining amounts express the volume money necessary to cover the essential costs of a household (shared consumption) according to the number of members (1, 2, 3 or 4 and more

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minimum**

people). The building-block method makes it possible to calculate the overall amount of the official subsistence minimum as a simple addition. This amount then serves as a criterion for the size of social benefits and for some other purposes.

The subsistence minima are valorised if the consumer prices level rise by 5% so their real purchasing power is maintained. As housing prices have been the most dynamic, the amounts for shared consumption have risen faster [for details on the level and development of subsistence minimum amounts see table VI/I in the appendix].

Protection from poverty through the official subsistence minimum is provided by supplementing the income of a citizen or household to the minimum level. Citizens apply for this to their municipal authority. The payout of a benefit is conditional on means-testing of the person and his household.

A number of problems are connected to the construction and practical working of the official subsistence minimum. These problems have long been the subject of debate.

Experiences with the working of the official subsistence minimum during the nineties indicate that the level of the official subsistence minimum enables larger households to have higher consumption than small households. The protection from poverty is better for several-member households (roughly from four-member households up) and worse for single-member and two-member households. The debate on this point gave rise to the conclusion that the savings in consumption expenditure stemming from a greater number of household members are not sufficiently reflected in the construction of the official subsistence minimum [note 17]. No fundamental revision of the system is being prepared at the moment, however. A key consequence of the existing construction is the fact that a substantial proportion of several-member households fall into the poverty band. The higher degree of “quantity-based reduction” balances out the proportions of poor households by number of persons (table VI/23).

Table VI/23 Structure of households by numbers of children with incomes in the top (bottom) decile of incomes and with differing consumer equivalence coefficients

Household with given number of children	Number and proportion (in %) of households with different numbers of dependent children in the 1 st decile of the income scale					Number and proportion of households in the total population	
	per household	OECD coefficient	ČSÚ consumption unit	official subsistence minimum	per capita		
0 absolute terms	363.4	278.4	159.7	114.7	43.6	2231.0	58.4
%	16.3	12.5	7.2	5.1	1.3	100.0	
1 absolute terms	14.6	48.1	73.2	86.5	95.9	719.3	18.8
%	2.0	6.7	10.2	12.0	13.3	100.0	
2 absolute terms	4.7	40.5	98.9	122.0	158.9	718.9	18.8
%	0.7	5.6	13.8	17.0	22.1	100.0	
3 absolute terms	1.0	11.4	38.5	45.7	65.5	129.2	3.4
%	0.1	8.8	29.8	35.4	50.7	100.0	
4 absolute terms	–	3.2	8.7	10.4	14.0	18.9	0.5
%		16.9	46.0	55.0	74.1	100.0	
5 and more absolute terms	–	1.3	4.2	4.4	4.9	5.1	0.1
%		25.5	82.3	86.3	96.1	100.0	
Total absolute terms	383.7	382.9	383.2	383.7	382.8	3822.4	100.0

Sources: ČSÚ (1998) Mikrocensus 1996; VÚPSV calculations

The compactness of the spread of households in the low incomes band is reflected in the fact that only a small number of households (in 1996 3.43% of households according to the spread of net income) are situated below the standard criterion of poverty usually used in international comparisons (half of the income median). That also indicates that the poor population proportion is very sensitive to the level of the poverty criterion. In 1992, the adjustment of the official subsistence minimum per person in a household by approximately CZK 35 caused the proportion of poor people to rise by 1%; in 1996 an increase of about CZK 50 was required to make the same increase. That also partly explains the substantially higher proportion of citizens who see themselves as poor. Repeated surveys have found that the 25% to 30% of the population feel that they are poor. 40% of that number are households headed by a person with an income 1.3 times the official subsistence minimum, for example, but 8% of these people even have a household income of over three times the official subsistence minimum [Večerník: Development Report 1998; RILSA 1998].

The compactness of the bottom part of income spread indicates a serious problem encountered by all transitive economies when defining the official limits of poverty. This problem is setting these limits in such a way that the state has the capacity to provide long-term protection from poverty on that

level. In some countries (Poland, Hungary, Bulgaria) the official poverty line was set relatively high in the first years of transformation. On the one hand this meant that the provision of aid up to the official poverty level was an unfeasible burden on the public budgets and created the risk of social parasitism. On the other hand, the restriction of expenditure on aid based on detailed income and property means measured by precise criteria led to enormous administrative demands, subjective decision-making and negative attitudes. The official poverty line ceased to be the criterion for the size of social assistance.

The solution is to gradually reduce the official poverty line away from the social minimum towards the existential minimum. In the Czech Republic the situation did not come to such a head, yet there are risks, especially as unemployment rises and becomes long-term for a significant quantity of unemployed people.

The most serious aspect is the relationship between the official subsistence minimum and the wage levels. In general it is fair to say that the official subsistence minimum is relatively high compared to wage levels. The ratio is fundamentally different from that customary in EU states (table VI/24). This is most evident in the case of the subsistence minimum for a four-member household: in the Czech Republic in the nineties this has been slightly below gross average wage levels. Its purchasing power has been higher than net average wages throughout this period, though.

Table VI/24 Relationship between the average wage and the official subsistence minimum (guaranteed minimum income in the Czech Republic and in selected European Union states (1991 to 1999)

	Year	Average monthly gross wage AW _g	Subsistence minimum (guaranteed income) national currency per month		SM ₁ AW _g	SM ₄ AW _g
			individual SM ₁	4-member household SM ₄		
Czech Republic ¹⁾	1991	3 792	1 700	5 600	0.49	1.48
	1995	8 172	2 440	7 840	0.30	0.95
	1996	9 676	2 890	9 110	0.30	0.94
	1998	11 688	3 430	10 470	0.29	0.90
	1999 (1 st half)	12 063	3 430	10 470	0.28	0.87
Index: nominal	1998/1991	3.082	2.018	1.870	–	–
real		1.465	0.959	0.889	–	–
Germany (West Germany) ²⁾	1996	5 030	1 180	–	0.22	–
Austria ²⁾	1995	25 723	6 180	13 420	0.24	0.52
	1996	26 889	6 180	–	0.23	–
France ²⁾	1995	10 546	2 326	5 116	0.22	0.49
	1996	10 373	2 375	–	0.22	–

Sources: Eurostat, ČSÚ, VÚPSV

Notes and explanations: ¹⁾ Average wage in the national economy, minima for a single adult and a four-member household with two children aged 10 to 15 ²⁾ Average wage of workers in the processing industry, subsistence minimum (guaranteed income) for a childless individual over 25 and a four-member complete family with two children up to 15.

The existing relationship between the subsistence minimum and wage levels acts as a disincentive to work. In all recipients of below-average wages (i.e. approximately 60% of employees) there is a tendency, varying in intensity, to giving up gainful activity and living off social benefits. This is the paradoxical antithesis of the opportunity for activity and upward mobility that opened up in the Czech Republic during the nineties.

The most up-to-date information on the socio-economic structure of the poor population is to be had from an analysis of the data from the 1996 Microcensus. Poor (low-income) households are deemed to be those situated in the first tenth of the spread of households according to coefficients expressing the relationship between actual incomes (P) and the value of the official subsistence minimum of a household. Due to their differing incomes, the distribution of households of economically active persons and the distribution of pensioners' households are analysed separately. [Data on the socio-economic structure of households is given in tables VI/J and VI/K in the appendix.]

**Intermingling of
"old" and "new"
poverty**

In the case of households of economically active people, the strongest factor consigning them to the ranks of the poor is the absence of an economically active person in the household or unemployment of the head of the household. The presence of these factors is the cause of poverty in two-thirds to four-fifths of households, roughly two-fifths of which have actual incomes below the level of the official subsistence minimum. Inability to find work is therefore the key factor causing households to have low incomes and be poor. The low level of unemployment in 1996 meant that this factor only affected a relatively small number of households. The fundamental changes on the labour market after 1996 that have led to increased unemployment will cause the influence of this factor – inability to find work – to play a greater part in the extent of poverty.

The presence and number of children in a household is another major factor in low income status. Almost 60% of households with four and more children are poor and roughly one-quarter have incomes below the official subsistence minimum. The influence of the number of children in a family on its poverty will be slow to change. This change could be sped up by changing the level of the official subsistence minimum amounts to better reflect the quantity-based reduction.

In the case of old-age pensioners' households it is clear that they are protected from the lower bands of poverty (actual income below the official subsistence minimum was displayed by less than 3% of households). It is evident that a living standard above the poverty line is secured for the majority of households (about 92% of households). The strongest influence on poverty in pensioners' households is the size of the partial invalidity pension. Partial invalidity makes it hard to find work and the size of the pension – if it becomes a household's main income – is not enough.

Overall it is clear that unemployment, the number of people living in a household and health restrictions are the primary factors causing poverty in Czech households. At the end of the nineties, unemployment is the factor with the greatest effect on the extent and depth of poverty.

Notes and explanations

1. Večerník (Development Report: 127) states that according to retrospective data at least 45% of the population was affected by property confiscation; worst affected were farmers.
2. Article 11 of the Charter of Fundamental Rights and Freedoms reads:
Article 11
(1) Everyone has the right to own property. The ownership right of all owners has the same legal substance and protection. Inheritance is guaranteed.

- (2) The law shall lay down what property that is essential to provide for the needs of society as a whole, the development of the national economy and the public interest may be owned solely by the state, municipalities or designated legal entities; the law may also set out that certain things may be owned solely by citizens or legal entities with seat in the Czech and Slovak Federative Republic.
- (3) Ownership is binding. It must not be abused to the detriment of others' rights or in conflict with legally safeguarded general interests. Exercise of ownership must not harm human health, nature and the environment over the degree stipulated by law.
- (4) Expropriation or forced constraint of ownership is possible in the public interest alone, on the basis of a law and in return for compensation.
- (5) Taxes and fees may be imposed solely on the basis of a law.
3. Fassmann (Institutional Possibilities, Masaryk University, Brno, 1999) summarises the estimates for the extent of the shadow economy in the Czech Republic. Application of the Gutmann method leads to the conclusion that in 1995 it was equal to 10% of GDP (CZK 135 billion), in 1996 11% (CZK 170 billion), in 1997 about 15% (CZK 240 billion).
4. Various aspects of the privatisation process have been assessed in detail in reports on human development in the Czech Republic from 1996 to 1998. The interpretation in this report concentrates on a brief summary of the issue chiefly in its consequences for human development.
5. The data on the scope of privatised property was taken from the government report of the state of society (March 1999; hereinafter "government report").
6. The government report states: "The problems related to the restitution process are closely linked to the privatisation process. Completion of privatisation is hindered by an absence of regulatory frameworks in certain important areas or unresolved ownership relations, unresolved court disputes or unclear restitution claims, the confusion as to the extent of former Church property to be restored, unresolved relations with the land offices, tax arrears of companies stipulated during tax inspections. Companies that for such reasons cannot be privatised are unable to generate sufficient funds for their existence and are often subsidised by the state out of the National Property Fund's budget.
7. In 1997 the number of trade licences granted to natural persons was 2,057,000 and the number of private entrepreneurs in business as per Trade Licensing Act recorded in the companies register was 1,201,000. The difference is mainly made up of people formally holding a trade licence but not working. A sample survey of labour found that the number of businessmen (independently gainfully active, self-employed) for whom the independent gainful activity is the sole or main (prevailing) activity (source of earnings) in the fourth quarter of 1997 was 598,500 people (398,300 of which were people without employees and 200,200 with employees). That means that roughly one half of businessmen (approximately 600,000 people) perform this gainful activity as an additional activity, usually as a complement to their main employment.
That is why the incomes of employees – individuals and households – are more diverse. It is the same – and evidently even more the case – in self-employed people and their households (see also table VI/4)). It seems that this "sandwich" method for forming the incomes of individuals and households is a reaction to the risks of the transformation period. The created portfolio of gainful activities brings a greater likelihood of balanced income development.
8. Respondents are asked: "Imagine you have lost all your property due to a natural disaster, i.e. your house, car, cottage, garden, all household furnishings, all savings and other property. How large should the sum be that would compensate you for this loss. Estimate the current value of the individual items, add them up and place them in one of these categories". (Večerník, Development Report, 1998).
9. Quantification of the changes in income structure on a macroeconomic level can only be approximate, for two main reasons. First, it is practically impossible to statistically record part of incomes from enterprise (independent gainful activity) used to cover households' personal consumption. The quantity that most accurately characterises the scope and dynamics of these incomes at a macroeconomic level is deemed to be mixed income, which is defined as "the sum of income from enterprise (profit) and income from the work of small businessmen for their own business" (Statistical Yearbook of the Czech Republic, 1998, Section 32).
One specific problem of the statistics on household incomes in the Czech Republic was the need to switch from monitoring them through the "balance of incomes and expenditure of the population", used for the purposes of central planning before 1990, to a system of national accounting and its definition of "current incomes of the households sector". Tables VI/2 and VI/3 summarise the information on (nominal and real) changes in the structure of household incomes recalculated so as to clarify with reasonable accuracy the basic tendencies in the longer time scale of the eighties and nineties.
10. Incomes from dependent activity and positional perquisites are

- incomes from current or former labour relation, service relation, membership in a co-operative, incomes for work of members of co-operatives, members and executive directors of limited liability companies and the limited partners in limited partnerships, rewards of the members of the statutory bodies of legal entities, various reimbursements (for wages, for damages in event of an injury or occupational illness etc.),
 - positional perquisites of the members of the government, deputies and senators and managers of the central organs of state administration, rewards for exercise of office in municipal and other local authorities.
11. A district is a unit of territorial state administration in the Czech Republic. The average population of a district is around 110,000 and the average area is roughly 1000 km². The Czech Republic is divided into 76 districts, and the 10 urban districts of Prague have an equivalent status.
12. The sociological research on assessments of the reasonableness of wage differences consists of surveys repeated throughout the transformation period. These are thus able to give an overview of changes in the population's attitudes.
13. According to calculations by the Sociological Institute of the Czech Academy of Sciences the income level found by sample surveys (microcensuses) was 86% of the incomes according to the balance of incomes and expenditure of the population in 1988, in 1992 80% and in 1996 76% of the level given by the national accounts.
14. The methods used to convert the incomes of diverse households in the Czech Republic are
- ČSÚ (Czech Statistical Office) consumption units, which are defined in such a way that a value of 1 is assigned to the head of the household, a value of 0.7 to all other persons older than 13 and a value of 0.5 to younger persons;
 - conversion using values of the official subsistence minimum;
 - conversion using the OECD scale derived from the values of the second powers of the number of persons living in a household.

Generalised conversion coefficients (equivalent consumption power) in relation to the number of household members are often used:

Number of members of household	Incomes per household	OECD	ČSÚ consumption unit	Official subsistence minimum	Incomes per capita
1	1.00	1.00	1.00	1.00	1.00
2	1.00	1.41	1.69	1.77	2.00
3	1.00	1.73	2.30	2.46	3.00
4	1.00	2.00	2.87	3.12	4.00
5	1.00	2.24	3.40	3.74	5.00
6	1.00	2.45	3.90	4.35	6.00

15. To a decisive degree the material living standard of households is the result of the mutual relations and links between the level of their disposable (net) incomes and the consumer price level. These links lead to a structure of households by blocks of related products and services that are related in the kind of household needs they cover. Expenditure structure is influenced by consumer preferences of individual households, which form under the influence of a large number of objective and subjective factors – income levels, size and composition of a household, stage in life, levels of prices of individual products and services and price levels of entire blocks of expenditure, the level of education of heads and members of households, their world view and ethical attitudes etc.
16. The number of completed housing units at the start of the nineties was influenced by the large number of half-finished housing units from the previous period. In recent years the number of extensions and added storeys, which are much more affordable, has increased significantly (they are not contained in the table).
17. The summary of equivalent consumption power coefficients [note 15] shows that the systems applied in EU and OECD countries presuppose a much greater reduction in equivalent consumption in several-member households (the EU system presupposes consumption/expenditure of a four-member household to be 2.87 times the level for an individual, the OECD system twice the level). The system of the official subsistence minimum in the Czech Republic presupposes a multiple of 3.12. The difference in the degree of reduction is even greater in households with more members.

VII. SUMMARY AND STARTING - POINTS FOR FUTURE DEVELOPMENT



In this report we have tried to describe the changes that have taken place in many aspects of human development in the Czech Republic, aspects that we believe to be important and often decisive for a modern society. In the following pages we would like to summarise the information contained in this report and to identify the areas where further progress must be made if the quality of life of people in the Czech Republic is to continue to improve. The business and other civic activities that experienced dynamic growth at the start of the nineties after the totalitarian regime had been overthrown and were an important impulse for human development have diminished somewhat in the last third of the decade. From 1997 to 1999 the economy has been through a deep recession and optimism has been replaced by scepticism.

The development of the Czech economy in the past decade of the transformation period can be summarised by saying that it had many conflicting aspects and different degrees of success in the individual phases of transformation. On the one hand we have the relatively fast privatisation of most of the economy, the relatively fast renewal of economic growth after the decline in the first years of transformation and, in comparison with other countries in transition, the preservation of a relatively low rate of inflation and achievement of growth in the real wages and incomes of the population and particularly the unusually low rate of unemployment (up to 1997). On the other hand, the often merely formal nature of privatisation meant that the essential process of restructuring the economy saw little progress, which undoubtedly led to the later manifestations of internal and, in particular, external imbalance. This was also influenced by the fast rise in wages, unsupported by improvements in productivity. All this, combined with certain restrictive measures that were taken, led to later economic recession. Nevertheless, some recent positive signals might indicate that the negative trend of economic development might be turning around.

Most of the transformation policies used to date can be described as highly liberal, overstating the role of the market and often lacking the necessary institutes and institutions. Modern transformation policy needs an effective and stable macroeconomic environment that makes possible and encourages the desired expansion and crucial restructuring of the microeconomic sphere. This process must take place against a background of sound legislation in tandem with the good working of the responsible institutes and genuinely enforceable rights. Such factors as the unwritten but universally shared rules of economic conduct by firms and organisations also play an important role. These legislative and ethical aspects of transformation have been undervalued, particularly in the first stage of transformation.

**The contradictory
nature of the
development of the
Czech economy in the
nineties**

The democratic politics and market economics that became established in the course of the nineties were charged with a strong moral and motivational impetus. In reaction to certain aspects of “large privatisation”, where extensive assets were amassed in the hands of an untrustworthy and unqualified narrow group of “privatisers”, often by means that were illegal but hard to prosecute (a form of embezzlement termed “tunnelling” in the Czech Republic), a large portion of the population developed a mistrust of the honesty, legality and rationality of the ownership relations that emerged during privatisation and a mistrust of private wealth in general. This mistrust is becoming firmly established. These circumstances present a risk to the further political and socio-economic development of the Czech Republic. The restoration and privatisation of state property created the right conditions for an expansion of private enterprise and presented citizens with the chance of increasing their wealth and improving their incomes. At the same time, the risk of lower income and status in society and possible exclusion from society increased. The weight of personal responsibility for one’s own fate and standard of living grew substantially.

Privatization

Social harmony has successfully been maintained throughout the transformation period. With a few exceptions, it is fair to say that the working of the social partnership has led to stabilisation and a greater resilience to a possible economic crisis at a time when fundamental transformation measures were being taken. From the political point of view it had a major impact on reconciling emerging conflicts and on maintaining social harmony; its economic impact was secondary. The process of integration into the EU brings a new era and a broadening of the agenda of the institutes of social dialogue. In the Economic Strategy for the Czech Republic’s Entry to the European Union, approved in May 1999, expanding social dialogue and creating consensus between the involved parties are seen as necessary if the Czech economy is to become competitive. Social dialogue is conceived in the same way as it operates in EU countries.

Social dialogue

The first half of the nineties was typified by a minimal rate of unemployment of around 3%; in the second half of the nineties unemployment has been rising constantly. This rise in unemployment is caused chiefly by the decline in the performance of the economy, the slow pace of restructuring and the privatisation methods that were adopted. The combination of these phenomena pushed the rate of unemployment up to 10%, where it has remained for a long time. The remedy for this condition is revitalising the national economy, creating new jobs and making good use of the increased interest in investment in the Czech Republic displayed by foreign investors. In all these areas the last months of 1999 have brought the first, albeit very slight, positive signs.

Unemployment – a serious social problem in the second half of the nineties

One particularly serious problem of unemployment is its regional aspect. In 1998, as many as ten districts had a rate of unemployment around 12% or higher. What is more, these districts are basically concentrated in two regions, Northern Moravia and Silesia, and Northwestern Bohemia. That makes it much harder to find a simple solution to the problem, such as travelling to work across regional borders. Partly due to this circumstance, positive signals have recently emerged from the executive: the government is mapping the situation and intends to provide direct financial support for these areas running to hundreds of millions of Czech crowns. The support should be targeted primarily at the creation of new jobs. In any case, the other forms of active employment policy must be expanded.

First and foremost, active employment policy measures must focus on groups who have had long-term difficulty finding work, whether they be school leavers, young people without qualifications, mothers coming to the end of maternity leave and caring for a child or people who are approaching retirement age. Solving the problems of the Roma population also requires a specific approach. The labour offices and other government bodies must stress active employment policy and not just passively pay out social benefits. Ideas for further action are contained in the National Employment Plan, drawn up according to the European Guidelines for Employment Policy, which clearly sets out to find gradual solutions to these issues.

The nineties saw a diversification of sources of income, with the weight of incomes from economic activity growing and the weight of social incomes falling, and a widening of income differentiation. At the start of the decade the real purchasing power of incomes universally fell. At the end of the decade the initial level has basically been regained, but the slowest growth has taken place in the middle of the income scale. Only the 10% of the population with the highest incomes experienced any pronounced increase in disposable incomes. That indicates that the costs of socio-economic transformation have been shifted to the income group around the average, which has slowed down the formation of the middle classes and has polarised society. More than 60% of households have below-average incomes.

Two conflicting processes are intermingling in the income differentiation of households: the pro-differentiation and polarising process of the formation of the incomes of households of economically active persons and the process by which the incomes of pensioners' become relatively constricted in a narrow band. Incomes per person in pensioners' households at the bottom income level have risen, mainly because pensions have been valorised sufficiently to keep their recipients out of the poverty.

The basis for greater gradation in the incomes of the households of economically active persons was wage development. Despite a fall in the weight of wages, they are still the dominant income. Wage fixing by supply

Incomes and their differentiation

and demand in the private sector was reflected in the fast and pronounced increase in the wages of senior managers and other management workers and specialists performing work requiring high levels of qualification. A lack of funds caused pro-differentiation wage development to come to a halt in the public sector. The low pay received by doctors, health workers and teachers is one area of social tension and recurring conflicts.

The small scale on which remuneration for work is settled by collective agreements means that there is a lot of room for balancing out the position of employers and employees in work relations. The predominantly unilateral determination of wages by employers provides the basis for potential and actual discrimination in the remuneration of certain categories of employees (women, the young and the old, Romanians, foreigners).

During the nineties the structure of Czech household expenditure came closer to that in Western European countries. The proportion of expenditure accounted for by nutrition (foodstuffs, beverages, tobacco) fell and expenditure on housing rose (rent, upkeep, energy, services). This trend will evidently continue.

During the nineties, housing became the most controversial area of the living standard of Czech households. There is a disparity between the income levels of the majority of households and housing costs. The cost of building a new home or buying a flat on the free market is many times higher than the total annual disposable incomes of households. As expenditure on housing increases (to roughly one-fifth of households' total expenditure), their structure in the rental housing sector is deformed. Regulated rent accounts for around just one-third of the costs of housing and is well below the level required if enterprise in housing is to be profitable. The construction of new housing units is below the minimum replacement level, so the housing stock is shrinking. Housing is become less accessible, which mainly affects the upcoming generation. A free market in housing has developed, where supply and demand dictate price. Part of this market is illegal, however (the sale of rental flats by their users).

Housing

The policy used so far to resolve the housing problem (increasing the proportion of individual ownership, suppressing the role of the state, fast deregulation of costs, expansion of enterprise in housing, support for home improvement saving and mortgages) has proved to be insufficient and unfeasible in a number of regards. A new policy is only now being formed.

The number of citizens (households) living in poverty according to the generally used criteria (equivalent income below half of the income median) has not been too large during the nineties. It ranged (depending on which consumption equivalence is used) from 3% to 5%. Poverty in the Czech Republic still has a number of features of "poverty in a poor country". The gap between middle household incomes and low household incomes is

Poverty

small. During the last decade, demographic poverty, linked to the persisting income levelling and the ratio of economically active people and dependants in a household, has intermingled with the increasing poverty stemming from the risks presented by a market economy (unemployment, business failures).

Besides the traditional systems of social protection (pension, sickness and health insurance, family benefits, care for the very old and the handicapped etc.), a new weapon against poverty created in the nineties was the set of minimal income determinants (the minimum wage, minimum old-age pension, the subsistence minimum as the lowest financial income). There are many serious problems with the working of these devices, such as the risk of social parasitism, a lack of incentive to work etc.

The social protection systems play a key role in the fight against poverty. The common search for ways to complete the as yet unfinished reforms is becoming more and more difficult. On the one hand there is the highly negative influence of the financial sustainability of the systems, on the other hand there are partial modifications and changes that do not reflect the content and replaceability of the individual systems. There are various special-interest groups with widely differing views on reform. The lack of mechanisms for creating consensual social policy, such as parliamentary commissions for the reform of pensions or healthcare that would allow the political parties to discuss problems on a pragmatic level, is another reason for the present situation.

Transforming the pension system is the most pressing reform problem, as the pension system is now the most expensive part of public expenditure and projections for the future are utterly pessimistic. A new approach to supporting future reforms is expected. Yet because plight of Czech pensioners, as far as their standard of living is concerned, is not as critical as in other countries in Central and Eastern Europe, there is not much pressure on politicians to take immediate measures. On the other hand, pensioners are not altogether satisfied with their situation, particularly as further deregulation of housing and energy prices are planned. That was apparent during the pre-election period in 1998, when public opinion surveys at one point gave the pensioners' party a chance of becoming a significant force in the next parliament (around 12% support). Even though it failed in the end to reach the 5% level of votes necessary to get into parliament, this was a warning sign for politicians to treat the problems of pensioners seriously.

Transformation of the pension system

Reform of the healthcare system is also envisaged. The very costly and inefficient system, where a number of different players and special-interest groups try to find a balance between further improving the healthcare services, thus improving the health of the Czech population, and the available economic resources, is still waiting for a strategy that would single

The health care system and its reform

out priorities and identify the necessary steps that should be undertaken in the near future.

Since 1990 the quality of the health of the Czech population has improved relatively dynamically. One of the main reasons (stemming from changes in lifestyles and in the political, social and ecological environments) for this development has been the modernisation of medical, diagnostic and therapeutic resources and the improving quality of doctors. Yet there has been an absence of suitable mechanisms for co-ordinating the healthcare system as a whole. This has led to a dramatic increase in the cost of healthcare since 1992, which has endangered the equilibrium between incomes and expenditure. Certain hospitals and health insurance companies have fallen deeply into debt. Besides that, the low incomes of healthcare workers led to the creation of pressure groups urging further reform.

Overall it is fair to say that in the coming years we can expect, in place of real reform measures, a consolidation and convergence of the different concepts of reform. Praise is due to the endeavours of the transformation governments to date not to allow the unsuccessful to fall by the wayside – restricting the growth of poverty and mitigating the impact that economic reforms have had on unemployment. These endeavours have meant that the Czech Republic enjoys little poverty on an international scale. Yet it has become clear that the Czech Republic's economic potential cannot sustain its relatively generous system of social protection for long. Even so, more and more groups of people subjectively feel themselves to be at risk of poverty. In real terms too, some of them are moving further and further away from the middle and upper classes in incomes and living standard.

In both its demographic processes and the social structure being formed the Czech Republic has in many regards come close or is coming closer to the developed European countries with which it shares its main modernisation impetuses. But it has retained specific features that can be attributed to both its specific socio-historical characteristics and the transient nature of the present stage of the demographic and stratification processes.

Further developments will depend partly on the choice of policies, primarily in the economic and social sphere. Their aim should be to limit the undesirable impacts of the decrease in and ageing of the population and unjustified social inequalities.

As the population ages, the burden on the economically active population is expected to increase, due to the need to fund and carry out care for elderly people. The future fall in the number of people of productive age resulting from today's low birth rates also raises the question of possible consequences in a reduction of economic growth in future. Nowadays the guarantor of economic, and thus also social, development is not so much a large workforce as a qualified workforce, however. That is why it is necessary to persist with the work to create the right conditions for preparation of such

**Population
development in the
Czech Republic**

a workforce in a transformed education system, including developing forms of lifelong education.

Yet population development cannot be approached merely from the point of view of the future workforce – the aspect of the prosperity of the nation must also be taken into account. That is why possibilities for influencing population development and preventing unfavourable tendencies are being discussed. If the idea of intervention in the form of a population policy or simpler pro-family social policy was until recently dismissed, today certain experts and representatives of certain political parties are demanding that the government create a strategy to support the family. A wide range of policies and measures affecting various economic and socio-cultural determinants of birth and marriage rates have been preferred to direct pro-population action, however. This intervention should respect the right to decide freely. It should not be founded on a normative approach, but should respect the diversification of family structures and the specific needs of various forms of family cohabitation.

Migration issues deserve special attention, even though migration cannot be expected to play a major role in population growth in the near future. The positive benefit of migration can be used on the assumption that it truly offsets the decline in the population in those structural areas where it is desirable, and mainly on the assumption that immigration will take place at a rate acceptable to the domestic population. Supporting the positive benefit of migration means that it is necessary to ensure that legal immigrants and persons with residence permits enjoy the same civil, social and political rights and naturalisation assistance, with particular regard for children and second-generation migrants. One condition is applying measures against xenophobia and racism.

The economic and social transformation has not brought any dramatic changes in the status of women. One of the reasons for this is the relatively high degree of social emancipation at the start of the period under scrutiny. In the new conditions, women, like men, were presented with new opportunities for furthering their interests. Against this stand the competitive environment on the labour market, the still nascent tradition of the civic society, the low level of support received until recently from decision-making bodies – these are some of the reasons that women have somewhat lost their former positions (these positions were often merely formal in nature, however). The integration of the Czech Republic and concrete women's activities into international organisations will help women retrieve and improve on their former positions.

The increasing social differentiation in Czech society during the last decade is a natural reaction to the long-term levelling of society from the 1960s to the 1980s. Today we can talk of a stratified (or stratifying) society with differing degrees of influence of differentiation factors in their individual

**The status of women
in Czech society in
the nineties**

segments. For most of the population the existence of social inequalities is a new phenomenon and is hard to swallow. The increasing inclination to see the deepening of social differences as unjust is reflected in a leftward shift in political preferences. That also affects part of the middle classes, which, contrary to expectations, have not experienced any pronounced improvement in social status.

Sustaining the weakening, but still existing, support for the transformation processes among the population, and in the middle classes in particular, requires both the elimination of unjustified obstacles to the application of performance principles and a real promise of relatively equal opportunities. Only then can the Czech Republic expect the quality of life of its population to progress further.

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■ Table I/A Macroeconomic indicators

	GDP		Production indicators ²⁾			Fixed investment ²⁾	Productivity per worker ²⁾	Consumer prices ²⁾	Gross debt	Surplus, deficit state budget	Share of taxes and payments
	mld. CZK, c.p.	bn. USD ¹⁾ , c.p.	Industry	Construction	Agriculture						
									% of GDP		as % of GDP
1990	626.2	32.3	96.5	94.2	97.7	108.3	—	109.7	—	—	—
1991	753.8	—	78.4	72.5	90.9	67.5	93.5	156.6	—	—	—
1992	842.6	29.9	92.1	119.2	87.9	116.6	102.2	111.1	—	—	—
1993	1 020.3	34.4	94.7	92.5	97.8	107.1	101.7	120.8	24.3	0.1	25.5
1994	1 182.6	41.1	102.3	107.5	94.0	116.3	101.4	110.0	26.0	0.9	24.0
1995	1 381.1	52.0	109.2	108.5	105.0	130.3	103.3	109.1	31.7	0.5	23.6
1996	1 572.3	57.9	106.4	105.2	98.6	111.0	103.2	108.8	35.9	-0.1	22.6
1997	1 680.0	53.0	104.5	96.1	95.0	95.3	102.3	108.5	40.4	-0.9	21.7
1998	1 820.7	56.4	101.6	93.0	98.7	94.3	99.1	110.7	42.5	-1.6	21.4

Source: ČSÚ (1998 – 1999) Statistická ročenka České republiky; VÚPSV (1990 – 1999) Vývoj hlavních ekonomických a sociálních ukazatelů ČR

¹⁾ current exchange rate

²⁾ index (the same period of previous year=100)

■ Table I/B Population trends

	Total population	Natural increas/decreas	Infant mortality rate per 1000 live births	Life expectancy at birth		Total fertility rate	Contraceptive rate in %	Population older than 65 years	Survival probability at age of 65	
	(mil. inhab.)	per 1000 inhabit.		men	women				men	women
1980	10.30	1.8	10.0	—	—	—	—	13.3	—	—
1990	10.30	0.1	10.8	67.5	75.4	1.86	—	12.8	11.58	15.58
1994	10.33	-1.0	9.9	69.5	76.6	1.44	—	—	12.69	15.91
1995	10.32	-2.1	7.9	—	—	1.28	—	13.5	—	—
1996	10.31	-2.2	6.0	70.4	77.3	1.19	68	13.5	13.09	16.36
1997	10.30	-2.1	5.9	70.5	77.5	1.17	65	—	13.20	16.60
1998	10.29	-1.8	—	71.0	77.7	1.16	61	—	—	—

Source: ČSÚ (1999) Statistická ročenka České republiky; ÚZIS (1999) Zdravotnická ročenka 1998

Table I/C Health profile

	Live births with low weight up to 2.5 kg (% from all live births)	Vaccinated children up to 1 year of life (in % of live births)		Deaths by neo- plasmas	TB occurrence of AIDS	New cases per adult in It	Alcohol consumption capita in pcs	Cigarette consumption per physician	Inhabitants per 1
		TB	measles	per 100 thous.inhabit.					
1985	5.64	99	99	—	30.2	—	9.0	—	275
1990	5.49	99	99	274.4	18.7	4	8.9	2 151	286
1992	5.71	99	99	271.5	19.2	9	9.4	1 950	293
1994	5.47	98	98	274.1	19.0	14	9.4	2 040	273
1996	5.48	97	97	270.3	18.8	10	9.5	2 165	269
1997	5.62	97	97	271.8	17.8	21	9.8	2 354	259
1998	—	—	—	—	17.5	8	—	—	—

Source: ČSÚ (1999) Statistická ročenka České republiky; ÚZIS (1999) Zdravotnická ročenka 1998

Table I/D Education imbalances

	Adult literacy	Length of school attendance	Students and pupils from age group 6–23	Enrolment ratio			University students (natural science and technology) as % of total university students	Education expenditure as % od GDP
				compulsory	secondary	university		
		in years	%	% of enrolled from age group ¹⁾				
1990	99.9	13.7	—	—	—	—	—	4.2
1992	99.9	13.4	—	—	—	—	36.9	4.5
1993	99.9	13.5	—	—	—	—	36.4	5.3
1994	99.9	14.1	50.6	—	—	—	34.9	5.3
1995	99.9	13.1	50.7	—	—	—	33.7	5.2
1996	99.9	13.2	53.2	92.2	66.4	16.8	33.6	5.2
1997	99.9	13.4	53.8	93.4	68.0	20.0	34.6	4.7
1998	99.9	13.5	57.9	93.4	69.1	25.9	36.2	4.4

Source: ÚIV (1999) České školství v číslech 1998/1999; ČSÚ (1999) Statistická ročenka České republiky

¹⁾ school year 96/97, 97/98, 98/99

Table I/E Personal distress

	Traffic accidents on roads	Number of killed persons	Number of severely injured persons	Deaths by accidents, poisoning and suicides	Divorces per 100 marriages	Immigrants	Emmigrants	Net migration	Granted status of refugees
	in thousands			—	number of persons				
1980	76.5	1.0	4.3	8.5	34.7	—	—	—	—
1990	94.7	1.2	4.5	8.7	35.2	12 411	11 787	624	30
1993	—	1.3	5.4	8.2	45.8	12 900	7 424	5 476	254
1994	—	1.4	6.0	8.3	52.9	10 207	265	9 942	110
1995	175.5	1.4	6.3	8.2	56.7	10 540	541	9 999	59
1996	201.7	1.4	6.6	7.6	61.4	10 857	728	10 129	150
1997	198.4	1.4	6.6	7.9	56.2	12 880	805	12 075	96
1998	210.1	1.2	6.2	7.0	—	10 729	1 241	9 488	78

Source: www.mvcr.cz; ČSÚ (1999) Statistická ročenka České republiky

Table I/F Crime

	Criminal cases	Cleared up cases	Criminality of juveniles	Criminality of children	Homicides	Criminal cases conected with drugs	Reported rapes	Economical criminal cases
	per thousand inhab.	%	number of criminal cases					
1990	—	—	—	—	246	—	890	—
1991	—	—	—	—	194	—	767	—
1992	—	—	—	—	258	—	712	—
1993	38.6	31.7	21 074	—	278	—	760	—
1994	36.0	34.8	22 160	8 280	286	—	736	18 431
1995	36.4	40.2	22 310	8 053	277	136	726	18 440
1996	38.2	41.3	22 719	10 322	267	162	678	25 431
1997	39.2	41.9	19 139	12 059	291	334	655	30 156
1998	41.4	43.5	16 730	12 086	313	419	675	36 031

Source: www.mvcr.cz

Table I/G Environmental indicators

	Protected areas as % of total area	Damaged forests %	Production of special and hazardous waste	Production of hazardouse waste	Production of municipal waste	Water consumption m ³ /per capita	Emission (tons/km ²)			Energy intensiveness
			thousand tons	thousand tons	thousand tons		SO ₂	CO ₂	NO _x	GJ/thous.. CZK
1990	–	58.1	–	–	–	–	23.8	8.6	–	1.598
1994	15	64.0	27 674	5 534	14 174	251	16.1	9.4	5.5	1.466
1995	15	62.5	32 529	6 005	19 317	236	13.7	7.7	–	1.432
1996	15	60.0	41 149	6 669	24 987	230	11.9	7.5	5.5	1.436
1997	15	61.3	42 643	6 436	27 957	–	8.8	6.7	5.4	1.361

Source: ČSÚ (1999) Statistická ročenka České republiky; www.env.cz

Table III/A Natural population movement - per 1000 inhabitants

Year	Live births	Deaths	Marriages	Divorces	Natural increment
1945–49	21.3	13.5	9.9	1.1	7.8
1950–54	19.6	11.0	8.9	1.2	8.6
1960–64	14.4	10.3	8.0	1.5	4.1
1970–74	17.0	12.5	9.6	2.4	4.5
1975–79	17.9	12.4	9.0	2.6	5.5
1980–84	13.8	12.9	7.7	2.8	1.0
1985–89	12.8	12.5	7.9	3.0	0.3
1990	12.6	12.5	8.8	3.1	0.1
1992	11.8	11.7	7.2	2.8	0.1
1994	10.3	11.4	5.7	3.0	-1.1
1996	8.8	10.9	5.2	3.2	-2.1
1997	8.8	10.9	5.6	3.2	-2.1
1998	8.8	10.6	5.3	3.1	-1.8

Source: ČSÚ (1993 – 1999) Pohyb obyvatelstva v ČR

Table III/B Life expectancy at birth and at 65 years of age in 1970–1998

Year	Life expectancy at birth		Life expectancy at 65 years of age	
	men	women	men	women
1970	66.1	73.0	11.2	14.4
1980	66.8	73.9	11.5	14.6
1990	67.5	76.0	11.8	15.6
1993	69.3	76.9	12.5	15.8
1995	70.0	76.6	12.7	16.2
1997	70.5	77.5	13.2	16.6
1998	71.1	78.1	13.4	16.9
Index 90/70	1.021	1.041	1.054	1.083
Index 98/90	1.053	1.028	1.136	1.083
Index 98/70	1.076	1.070	1.196	1.174

Source: ČSÚ (1999) Vývoj obyvatelstva v roce 1998

■ Table III/C Development of the age structure of the population

Year	Age group					
	0–14		15–59		60 and over	
	men	women	men	women	men	women
1950	24.0		63.5		12.5	
1961	25.4		59.7		14.8	
1970	21.2		60.4		18.3	
1980	23.4		59.8		16.8	
1990	21.0		61.1		17.9	
	22.3	20.1	63.2	59.1	14.5	20.8
1992	20.0		62.0		18.0	
	21.1	19.0	64.2	60.1	14.7	21.0
1994	18.8		63.2		18.0	
	29.9	17.9	65.3	61.1	14.8	21.0
1996	17.9		64.1		18.0	
	18.8	17.0	66.3	62.0	14.8	21.0
1998	17.4		64.5		18.0	
	18.4	16.5	66.8	62.4	14.9	21.0
2000*	16.3		65.3		18.4	
2010*	14.5		62.5		23.0	
2020*	14.4		58.6		27.0	

* prediction of the Czech Statistical Office from 1997: middle of 3 alternatives
 Sources: ČSÚ (1998) Výhled vývoje obyvatelstva České republiky do roku 2000;
 Kokta J. (1999) Aktuální demografická situace v ČR

**Table III/D Number of students* registered at higher education facilities
(as of 31. 10. of the given year)**

Year	1980		1985		1990		1992		1994		1995		1997	
	Total		Total		Total		Total		Total		Total		Total	
	women	men	women	men	women	men	women	men	women	men	women	men	women	men
Total	91 409		87 748		96 379		100 513		115 888		126 353		149 526	
	38954	52455	37810	49938	42850	53529	44266	56840	50840	65048	55427	70926	66126	83400
Universities	35 484		33 932		40 857		50 210		58 355		62 345		78 740	
	22185	13299	21742	12190	24341	16516	27998	22212	32665	25690	35922	26423	43956	34784
Technical	39 806		39 235		39 670		36 056		39 707		42 283		47 434	
colleges	9330	30476	9006	30229	10762	28908	10010	26046	10422	29285	10910	31373	11754	35680
Economic	6510		6 647		6 966		6 606		9 121		10 199		11653	
colleges	3978	2532	4057	2590	4299	2667	3279	3327	4235	4886	4520	5679	5292	6361
Agricultural	8 424		6 945		7 516		6 148		7 040		7 885		9685	
colleges	3014	5410	2622	4323	2938	4578	2354	3794	2787	4253	3228	4657	4173	5512
Art	1 185		989		1 370		1 493		1 665		1 797		2014	
colleges	447	738	383	606	510	860	625	868	731	934	847	950	951	1063

* up to 1992 with citizenship of the ČSFR; from 1994 on with Czech Republic citizenship, students of all forms of study including postgraduate

Source: ÚIV (1998) Historická ročenka školství v České republice

Table III/E Indexes of the growth in the average hourly earnings of men and women in 1996–1999 (previous monitored quarter = 100)

	Average in CZK 2 nd quarter 1996		4 th quarter 1996		2 nd quarter 1997		4 th quarter 1997		2 nd quarter 1998		4 th quarter 1998		2 nd quarter 1999		Average in CZK 2 nd quarter 1999	
	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W
Total	63.79	48.07	107	109	106	106	106	106	106	99	104	106	102	104	87.78	64.37
CATEGORIES OF EMPLOYMENT																
Managers	142.63	102.46	73	95	156	88	108	107	103	94	106	109	101	104	194.91	98.05
Professionals	86.33	72.47	109	104	100	91	111	110	100	91	109	111	102	106	115.95	80.46
Administrative	50.17	44.75	111	109	120	122	96	98	111	103	100	102	102	99	73.56	61.26
Skilled workers	56.20	40.65	106	106	106	102	106	106	108	107	103	105	101	98	74.55	51.62
Unskilled workers	38.65	34.87	106	104	108	99	106	106	106	99	104	106	105	111	53.80	43.25
AGE																
20–29	54.40	43.88	106	110	107	106	106	104	109	104	107	104	102	104	77.86	60.02
30–39	66.06	48.50	107	109	107	104	107	106	106	98	105	106	102	104	92.22	63.68
40–49	67.88	49.94	108	108	106	106	106	106	106	98	105	107	101	103	92.57	66.20
50 and over	67.55	50.52	108	108	106	109	107	106	105	97	105	107	101	104	91.57	68.95
EDUCATION																
Elementary	53.91	40.37	106	109	90	91	109	105	107	107	99	99	105	107	61.59	47.37
Secondary	58.52	42.03	105	113	103	89	104	107	107	107	102	103	100	100	71.15	49.46
Secondary with GCE	83.83	59.01	109	111	86	93	104	103	107	99	105	106	99	102	91.98	67.50
University	116.91	69.31	111	137	86	85	110	109	104	91	108	111	100	103	140.25	92.26

Source: Trexima

**Table III/F Ratio of average hourly earnings of men and women in the
2nd quarter of 1999 (by education and selected indicators)**

	Level of education				
	Elementary	Secondary	Secondary with GCE	University	Not stated
Total	77	70	73	66	71
AGE					
do 20	76	81	88	88	88
20–29	73	71	76	71	76
30–39	72	65	70	64	66
40–49	76	69	73	65	68
50 and over	79	72	74	64	72
BRANCH					
Agriculture, forestry, fishery	71	80	77	76	78
Industry	78	69	75	72	68
Construction	71	73	73	69	91
Trade, repair work, catering	82	71	69	64	64
Transport, communications	83	84	78	76	73
Finance and insurance	78	92	79	75	70
Services, research	70	78	94	79	79
Public administration	93	84	80	81	86
Education	86	84	92	84	74
Healthcare	88	84	100	80	83
CATEGORY OF EMPLOYMENT					
Managers and directors	–	–	57	65	43
Professionals	–	–	55	74	73
Technicians, healthcare workers and teachers	74	75	73	75	72
Clerks	98	82	83	88	77
Retail staff in services and trade	89	80	78	98	79
Agricultural labourers	89	84	82	109	88
Crafts, qualified manufacturers	68	69	69	73	70
Plant and machinery operators	83	75	70	83	69
Unqualified labourers	83	80	79	92	79

Source: Trexima

Table IV/A The workforce in the Czech Republic

	1989	1993	1995	1996	1997	1998
1. Population (thousands)	10 362	10 325	10 349	10 312	10 303	10 293
2. Number of people in employment (thousands)	5 309	5 076	5 130	5 125	4 936	4 865
proportion: (%)						
– in the primary sphere	11.6	7.4	6.6	6.0	5.8	5.5
– in the secondary sphere	46.1	43.2	42.0	41.6	41.1	40.9
– in the tertiary sphere	42.3	49.4	51.4	51.4	53.1	53.6
Of the number of people in employment (%)						
– proportion of women	48.0	46.2	46.0	43.6	43.5	43.3
– proportion of employed people of post-productive age	9.7	4.7	4.8	5.2	5.2	5.0
3. Registered unemployed (thousands)		185	153	186	269	387
of which:						
– proportion of women (%)	x	55.9	57.6	56.4	56.4	55.8
4. Rate of registered unemployment (%)	31.12.	3.5	2.9	3.5	5.2	7.5

Source: ČSÚ (1993 – 1999) Zaměstnanost a nezaměstnanost v ČR; MPSV (1995 – 1999) Statistická ročenka trhu práce v ČR

Table IV/B Balance and breakdown of the workforce (thousands of persons)

	1993	1995	1996	1997	1998
Total workforce	6 398.0	6 556.4	6 609.9	6 625.3	6 629.2
Population of productive age	6 150.5	6 300.9	6 337.7	6 359.5	6 374.6
Employed people of post-productive age	237.2	247.2	259.4	256.1	242.6
Unemployed people of post-productive age	10.3	8.3	12.8	9.7	12.0
of which:					
1. economically active persons	5 272.4	5 304.7	5 199.4	5 215.2	5 201.4
a) employed	5 076.7	5 130.7	4 994.8	4 944.7	4 865.7
b) unemployed	195.7	174.0	204.6	270.5	335.7
2. economically inactive of productive age	1 125.6	1 251.7	1 410.5	1 410.1	1 427.8
a) preparing for occupation	621.8	698.0	724.9	719.1	735.2
b) for health reasons	235.6	274.7	414.7	414.4	404.7

Source: ČSÚ (1993 – 1999) Zaměstnanost a nezaměstnanost v ČR

■ **Table IV/C Job-seekers , job vacancies, rate of registered unemployment**

	1993	1995	1996	1997	1998
Job-seekers (thousands of persons)	185.2	153.0	186.3	268.9	386.9
Job vacancies (thousands of persons)	53.9	88.0	84.0	62.3	37.6
Number of applicants per vacancy	3.4	1.7	2.2	4.3	10.3
Rate of unemployment in %	3.5	2.9	3.5	5.2	7.5

Source: MPSV (1995 – 1999) Statistická ročenka trhu práce v ČR

■ **Table IV/D Breakdown of job-seekers by selected categories (thousands of persons)**

	1993	1995	1996	1997	1998
Total number of job-seekers	185.2	153	186.3	268.9	386.9
Persons with reduced capacity to work	23.0	22.7	31.5	40.5	49.0
Age structure					
up to 19 years of age	29.1	20.4	24.1	33.4	32.6
20 – 29	55.9	41.7	50.0	79.2	142.8
30 – 39	41.5	35.0	40.5	55.4	77.1
40 – 49	38.2	36.4	44.9	61.7	81.8
50 and over	20.5	19.5	26.8	39.2	52.6

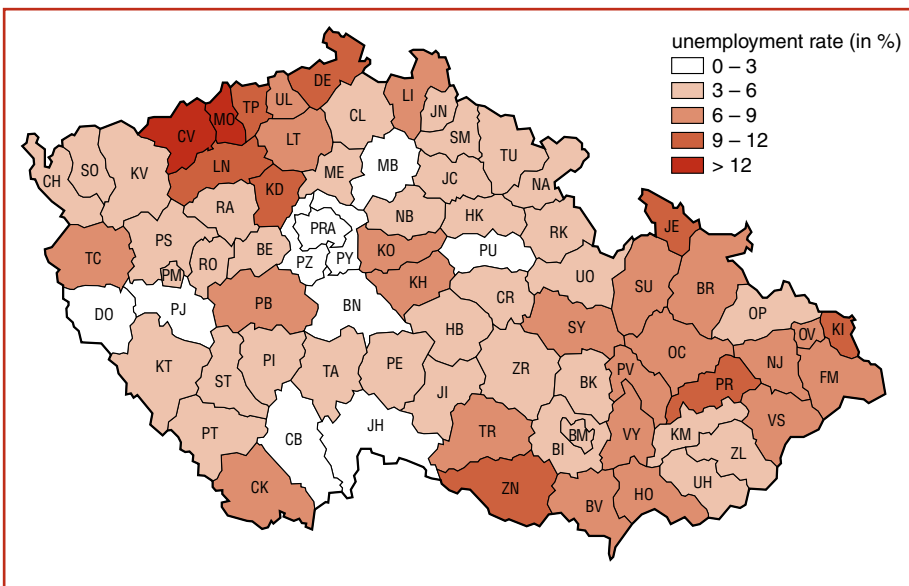
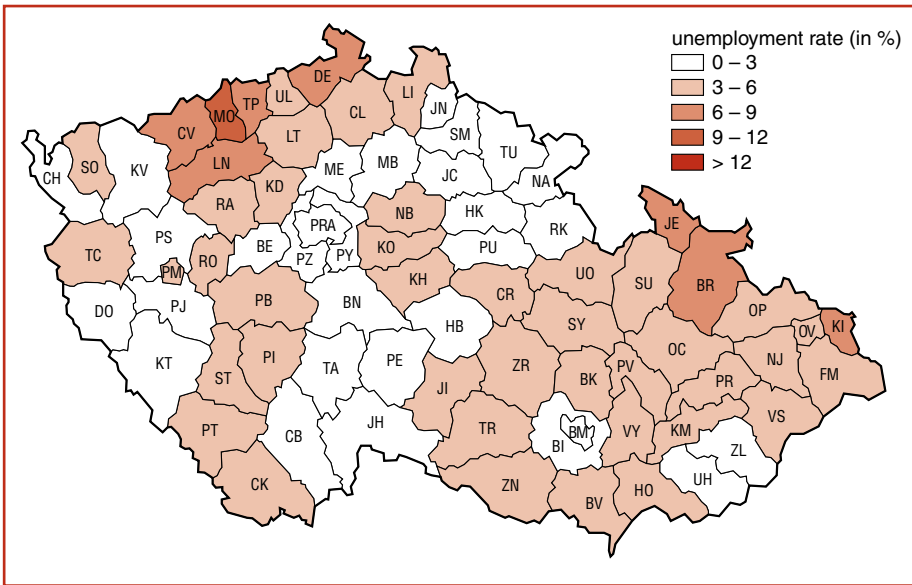
Source: MPSV (1995 – 1999) Statistická ročenka trhu práce v ČR

Table IV/E Districts with the highest rates of unemployment (ranked according to state in 1998)

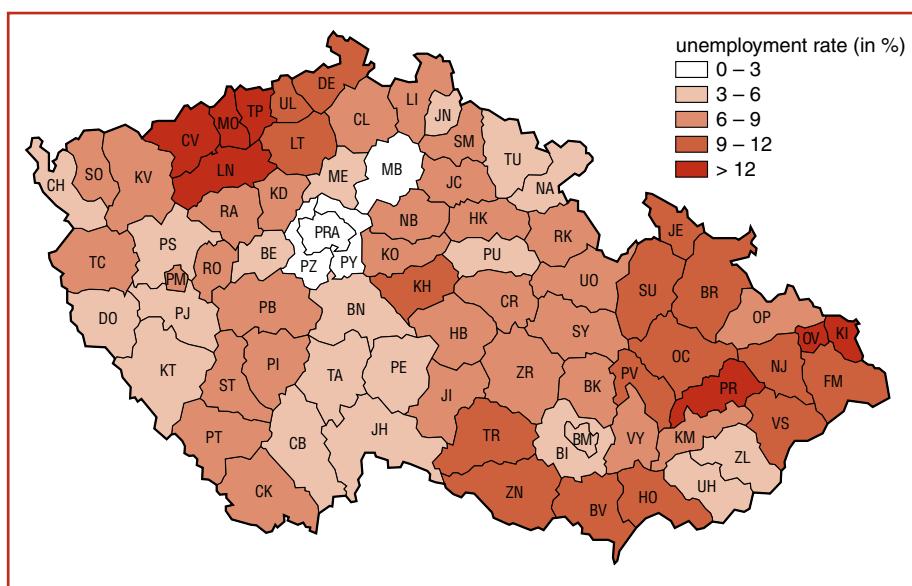
District	Rate of unemployment in %				
	1993	1995	1996	1997	1998
Most	3.8	7.3	9.4	12.4	15.6
Louny	7.9	7.1	8.2	11.3	15.5
Chomutov	5.8	6.4	7.7	12.1	14.8
Karviná	7.4	6.6	7.7	10.4	13.8
Teplice	5.1	6.5	7.1	10.0	13.2
Přerov	6.1	5.4	5.7	9.0	12.5
Ostrava-město	5.1	4.8	5.4	7.5	12.0
Znojmo	8.5	5.7	5.7	9.4	11.9
Děčín	5.4	5.7	7.6	9.3	11.9
Litoměřice	4.0	4.5	5.4	8.9	11.8
Bruntál	8.7	5.8	6.5	8.7	11.4
Frýdek-Místek	5.7	4.1	4.7	7.2	11.4
Hodonín	5.2	3.7	4.5	7.1	11.0
Třebíč	6.5	4.8	5.7	7.7	10.7
Ústí nad Labem	3.1	3.3	4.5	6.8	10.5
Jeseník	—	—	—	9.3	10.3
Olomouc	3.8	3.8	4.8	7.1	9.9
Břeclav	6.5	4.7	5.0	7.4	9.6
Nový Jičín	7.8	5.9	5.6	6.9	9.5
Šumperk	7.0	4.7	5.9	7.0	9.4
Kutná Hora	3.5	3.0	4.0	6.6	9.3
Vsetín	7.1	4.0	5.6	6.9	9.3
Prostějov	4.7	3.5	4.5	6.8	9.2
Svitavy	5.5	4.8	5.4	7.2	8.9
Opava	6.0	3.3	3.7	5.8	8.8

Source: MPSV (1995 – 1999) Statistická ročenka trhu práce v ČR





■ Graph IV/E Unemployment rate in the Czech Republic on 31. December, 1998



Districts of the Czech Republic:

Benešov	BN	Kladno	KD	Prachatice	PT
Beroun	BE	Klatovy	KT	Prostějov	PR
Blansko	BK	Kolín	KO	Přerov	PV
Brno město	BM	Kroměříž	KM	Příbram	PB
Brno venkov	BI	Kutná Hora	KH	Rakovník	RA
Bruntál	BR	Liberec	LI	Rokycany	RO
Břeclav	BV	Litoměřice	LT	Rychnov n. Kněžnou	RK
Česká Lípa	CL	Louny	LN	Semily	SM
České Budějovice	CB	Mělník	ME	Sokolov	SO
Český Krumlov	CK	Mladá Boleslav	MB	Strakonice	ST
Děčín	DE	Most	MO	Svitavy	SY
Domažlice	DO	Náchod	NA	Šumperk	SU
Frýdek-Místek	FM	Nový Jičín	NJ	Tábor	TA
Havlíčkův Brod	HB	Nymburk	NB	Tachov	TC
Hodonín	HO	Olomouc	OC	Teplice	TP
Hradec Králové	HK	Opava	OP	Trutnov	TU
Cheb	CH	Ostrava město	OV	Třebíč	TR
Chomutov	CV	Pardubice	PU	Uherské Hradiště	UH
Chrudim	CR	Pelhřimov	PE	Ústí n. Labem	UL
Jablonec n. Nisou	JN	Písek	PI	Ústí n. Orlicí	UO
Jeseník	JE	Plzeň jih	PJ	Vsetín	VS
Jičín	JC	Plzeň město	PM	Vyškov	VY
Jihlava	JI	Plzeň sever	PS	Zlín	ZL
Jindřichův Hradec	JH	Praha	PRA	Znojmo	ZN
Karlovy Vary	KV	Praha východ	PY	Žďár n. Sázavou	ZR
Karviná	KI	Praha západ	PZ		

**Table V Development of social protection expenditures in structure
1990–1999**

YEAR	1990	1991	1992	1993	1994	1995	1996	1997	1998
Item	mill.Kč								
Social protection system									
expenditures in total	112305	149133	161491	201763	236000	272109	305112	338288	367989
Social security system									
expenditures	82253	109610	115840	128701	149582	171444	194450	219473	238189
Transfers total	54526	67726	77006	88379	104475	127358	148635	168874	185436
Old age benefits	45527	56060	63699	74243	85730	106891	125561	145108	161805
Sickness and maternity									
benefits	8999	9218	10162	11961	16173	18050	20410	19794	18534
Unemployment and employ-									
ment policy expenditures	0	2448	3145	2175	2572	2417	2664	3972	5097
Family allowances (state									
social support system)	13025	14216	14748	14583	18073	18931	27765	29235	31366
Social care benefits and									
social services system	5728	4748	6698	8485	11529	11460	11900	12666	13800
Administration expenditures	393	2248	2008	3532	4628	5930	5250	6011	6487
Health care system									
expenditures	30052	39523	45651	73062	86418	100665	110662	118815	129800

Source: Calculation of VÚPSV

Table VI/A Basic indicators of economic and wage development in the Czech Republic in 1989 – 1998

Row	Indicator	Specific unit	Year									
a	b	c	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1	Population	thousands	10362	10304	10309	10322	10331	10333	10321	10309	10300	10290
2	Number of people in employment	thousands	5403	5351	5059	4927	4848	4885	5012	5044	4947	4873
3	GDP at current prices	CZK billions	524.5	579.3	749.6	846.8	1002.3	1148.6	1348.7	1532.6	1649.5	1776.7
4	GDP at constant prices (1994)	CZK billions	1277.2	1292.7	1144.2	1106.6	1112.9	1148.6	1221.6	1269.4	1281.8	1247.7
5	GDP per capita	CZK thousands/year										
6	Current prices		50616	55902	72715	82072	97022	111124	130552	148575	160089	172663
7	Constant prices		123258	125456	110990	107208	107724	111158	118361	123135	124447	121254
8	Year-on-year	index		1.02	0.88	0.97	1.00	1.03	1.06	1.04	1.01	0.97
9	1989 = 1.00		1.00	1.02	0.90	0.87	0.87	0.90	0.96	1.00	1.01	0.98
10	1993 = 1.00		1.14	1.16	1.03	1.00	1.00	1.03	1.10	1.14	1.16	1.13
11	GDP in purchasing power parity (ECU)	ECU thousands /year	8693	9567	8996	9073	9454	10004	10980	11722	12077	11969
12	Year-on-year	index		1.02	0.88	0.97	1.00	1.03	1.06	1.04	1.01	0.97
13	1989 = 1.00		1.00	1.07	1.00	1.01	1.05	1.12	1.23	1.31	1.35	1.34
14	1993 = 1.00		0.95	1.01	0.95	0.96	1.00	1.06	1.16	1.24	1.28	1.27
15	GDP per employee - constant prices	CZK thousands /year	236387	241581	226171	224599	229559	235128	243735	251665	256719	256149
16	Year-on-year	index	.	1.02	0.94	0.99	1.02	1.02	1.04	1.03	1.02	1.00
17	1989 = 1.00		1.00	1.02	0.96	0.95	0.97	0.99	1.03	1.06	1.09	1.08
18	1993 = 1.00		1.03	1.05	0.99	0.98	1.00	1.02	1.06	1.10	1.12	1.12
19	In purchasing power parity (ECU)	ECU thousands	16671.6	18422.4	18331.6	19007.8	20146.3	21161.0	22610.7	23957.6	24913.5	25284.5
20	Year-on-year	index	–	1.11	1.00	1.04	1.06	1.05	1.07	1.06	1.04	1.01
21	1989 = 1.00		1.00	1.11	1.10	1.14	1.21	1.27	1.36	1.44	1.49	1.52
22	1993 = 1.00		0.83	0.91	0.91	0.94	1.00	1.05	1.12	1.19	1.24	1.26
23	Average gross nominal wage	CZK/month	3170	3286	3792	4644	5817	6894	8172	9676	10696	11688
24	Year-on-year		–	1.04	1.15	1.22	1.25	1.19	1.19	1.18	1.11	1.09
25	1989 = 1.00		1.00	1.04	1.20	1.46	1.84	2.17	2.58	3.05	3.37	3.69
26	1993 = 1.00		0.54	0.56	0.65	0.80	1.00	1.19	1.40	1.66	1.84	2.01
27	Index of consumer price levels	index	–	1.10	1.57	1.11	1.21	1.10	1.09	1.09	1.09	1.11
28	1989 = 1.00		1.00	1.10	1.72	1.91	2.23	2.54	2.77	3.01	3.27	3.62
29	1993 = 1.00		0.45	0.49	0.77	0.86	1.00	1.14	1.24	1.35	1.47	1.62
30	Real purchasing power of avg. nom. wage at 1989 consumer price levels	CZK/month	3170	2995	2207	2433	2604	2719	2954	3214	3274	3231
31	Year-on-year	index	–	0.94	0.74	1.10	1.07	1.04	1.09	1.09	1.02	0.99
32	1989 = 1.00		1.00	0.94	0.70	0.77	0.82	0.86	0.93	1.01	1.03	1.02
33	1993 = 1.00		1.22	1.15	0.85	0.93	1.00	1.04	1.13	1.23	1.26	1.24
34	Avg. gross wage - corporate sphere	CZK/month	3243	3357	3848	4705	5891	6961	8297	9764	10904	12080
35	Year-on-year	index	–	1.04	1.15	1.22	1.25	1.18	1.19	1.18	1.12	1.11

Table VI/A (continued)

Row	Indicator	Specific unit	Year									
a	b	c	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
36	1989 = 1.00		1.00	1.04	1.19	1.45	1.82	2.15	2.56	3.01	3.36	3.72
37	1993 = 1.00		0.55	0.57	0.65	0.80	1.00	1.18	1.41	1.66	1.85	2.05
38	Real purchasing power of avg. nom. wage (1989 consumer price level=100) – corporate sphere	CZK/month	3243	3060	2240	2465	2637	2745	2999	3243	3338	3340
39	Year-on-year	index	–	0.94	0.73	1.10	1.07	1.04	1.09	1.08	1.03	1.00
40	1989 = 1.00		1.00	0.94	0.69	0.76	0.81	0.85	0.92	1.00	1.03	1.03
41	1993 = 1.00		1.23	1.16	0.85	0.93	1.00	1.04	1.14	1.23	1.27	1.27
42	Avg. gross nom. wage - budget sphere	CZK/month	2807	2945	3566	4430	5576	6680	7817	9434	9983	10374
43	Year-on-year	index	–	1.05	1.21	1.24	1.26	1.20	1.17	1.21	1.06	1.04
44	1989 = 1.00		1.00	1.05	1.27	1.58	1.99	2.38	2.78	3.36	3.56	3.70
45	1993 = 1.00		0.50	0.53	0.64	0.79	1.00	1.20	1.40	1.69	1.79	1.86
46	Real purchasing power of avg. nom. wage (1989 consumer price level=100) – budget sphere	CZK/month	2807	2684	2076	2321	2496	2635	2826	3133	3056	2868
47	Year-on-year	index	–	0.96	0.77	1.12	1.08	1.06	1.07	1.11	0.98	0.94
48	1989 = 1.00		1.00	0.96	0.74	0.83	0.89	0.94	1.01	1.12	1.09	1.02
49	1993 = 1.00		1.12	1.08	0.83	0.93	1.00	1.06	1.13	1.26	1.22	1.15

Sources: FSÚ (1991 – 1993) Statistická ročenka ČSFR; ČSÚ (1994 – 1999) Statistická ročenka České republiky; OECD (1994 – 1999) Statistical Yearbook

Table VI/B Breakdown of employees with full-time job by average gross monthly wage

CZK earnings band	In absolute terms (thousands of persons)				In %			
	1989	1993	1996	1997	1989	1993	1996	1997
Up to 2000	380.8	–	–	–	9.7	–	–	–
2001 – 4000	2500.4	619	46	28	63.6	23.0	2.0	1.2
4001 – 6000	905.5	892	274	201	23.0	33.2	11.6	8.7
6001 – 8000	145.5	601	518	404	3.7	22.4	22.0	17.5
8001 – 10000	–	295	533	444	–	11.0	22.7	19.2
10001 – 12000	–	137	385	401	–	5.1	16.4	17.4
12001 – 14000	–	70	234	311	–	2.6	9.9	13.5
14001 – 16000	–	33	131	188	–	1.2	5.6	8.1
16001 – 18000	–	41	74	109	–	1.5	3.1	4.7
18001 – 20000	–	–	45	66	–	–	1.9	2.9
20001 – 25000	–	–	54	78	–	–	2.3	3.4
25001 – 30000	–	–	25	36	–	–	1.1	1.6
30001 and over	–	–	33	42	–	–	1.4	1.8
Change index								
Total	3932.2	2688	2352	2308	93/89	96/93	97/96	97/89
Average wage (A)	3342	6293	10480	11663	1.883	1.665	1.113	3.490
Positional attribute								
P ₅	1708	2776	4800	5138	1.625	1.729	1.070	3.008
P ₁₀ (D ₁)	2009	3187	5526	6000	1.586	1.734	1.086	2.987
P ₂₅ (Q ₁)	2270	4109	7095	7731	1.810	1.727	1.090	3.406
P ₅₀ (M _e)	3238	5597	9243	10356	1.729	1.651	1.120	3.198
P ₇₅ (Q ₃)	4082	7640	12088	13590	1.872	1.582	1.124	3.329
P ₉₀ (D ₉)	4926	10157	15964	17872	2.062	1.572	1.120	3.628
P ₉₅	5749	12231	19789	22617	2.128	1.618	1.143	3.934
A/M _e	1.032	1.124	1.134	1.126	1.089	1.009	0.993	1.091
P ₉₅ /P ₅	3.366	4.406	4.123	4.402	1.309	0.936	1.068	1.308
P ₉₀ /P ₁₀	2.452	3.187	2.889	2.979	1.300	0.906	1.031	1.215
P ₇₅ /P ₂₅	1.798	1.859	1.704	1.758	1.034	0.917	1.032	0.978

Source: ČSÚ (1998) Časové řady základních ukazatelů statistiky práce (1948 – 1997)

Table VI/C Breakdown of employees with full-time job by average gross monthly wage – ČSÚ sample survey

CZK earnings band	In absolute terms		In %	
	1997	1998	1997	1998
Up to 2000	6	3	0.0	0.0
2001 – 4000	1208	702	0.3	0.2
4001 – 6000	23618	16816	5.1	4.4
6001 – 8000	63060	45290	13.7	11.9
8001 – 10000	88779	66309	19.2	17.5
10001 – 12000	90603	71000	19.6	18.7
12001 – 14000	71999	58101	15.6	15.3
14001 – 16000	43151	39854	9.4	10.5
16001 – 18000	25060	25611	5.4	6.7
18001 – 20000	15849	16290	3.4	4.3
20001 – 25000	19368	19961	4.2	5.3
25001 – 30000	7732	8162	1.7	2.1
30001 and over	10920	11595	2.4	3.1
Change index				
Total	461353	379694	98/97	
Average wage (A)	12572	13361	1.063	
Positional attributes				
P ₅	5911	6080	1.029	
P ₁₀ (D ₁)	6775	7027	1.037	
P ₂₅ (Q ₁)	8664	9027	1.042	
P ₅₀ (M _e)	11159	11705	1.049	
P ₇₅ (Q ₃)	14317	15331	1.071	
P ₉₀ (D ₉)	18988	20428	1.076	
P ₉₅	23881	25442	1.065	
A/M _e	1.127	1.141	1.012	
P ₉₅ /P ₅	4.040	4.185	1.036	
P ₉₀ /P ₁₀	2.803	2.907	1.037	
P ₇₅ /P ₂₅	1.652	1.698	1.028	

Source: ČSÚ (1998) Mzdy zaměstnanců za rok 1997, 1998

■ Table VI/D Development of average wage in 1990 – 1998 by regions

ČSÚ data	1990		1991		1992		1993		1994	
	CZK	Relation	CZK	Relation	CZK	Relation	CZK	Relation	CZK	Relation
	to CR in %		to CR in %		to CR in %		to CR in %		to CR in %	
Prague	3467	105.5	4091	107.9	5194	111.8	6712	115.4	7959	115.4
Central Bohemia	3198	97.3	3709	97.8	4629	99.7	5811	100.0	6891	100.0
South Bohemia	3150	95.9	3645	96.1	4387	94.5	5418	92.2	6357	92.2
West Bohemia	3198	97.3	3742	98.7	4526	97.5	5611	97.8	6745	97.8
North Bohemia	3236	98.5	3832	101.0	4732	101.9	5805	98.4	6783	98.4
East Bohemia	3061	93.2	3537	93.3	4246	91.4	5258	89.3	6153	89.3
South Moravia	3152	95.9	3635	95.9	4331	93.3	5365	92.1	6346	92.1
North Moravia	3373	102.6	3950	104.2	4776	102.8	5859	99.0	6822	92.1
Czech Republic as a whole	3286	100.0	3792	100.0	4644	100.0	5817	100.0	6894	100.0

ČSÚ data	1995		1996		1997		1998	
	CZK	Relation	CZK	Relation	CZK	Relation	CZK	Relation
	to CR in %		to CR in %		to CR in %		to CR in %	
Prague	9577	117.2	11427	118.1	13011	121.6	14449	123.6
Central Bohemia	8151	99.7	9682	100.1	10654	99.6	11603	99.3
South Bohemia	7482	91.6	8819	91.1	9718	90.9	10525	90.0
West Bohemia	7814	95.6	9193	95.0	9983	93.3	10811	92.5
North Bohemia	7914	96.8	9291	96.0	10098	94.4	10959	93.8
East Bohemia	7219	88.3	8501	87.9	9423	88.1	10240	87.6
South Moravia	7503	91.8	8880	91.8	9736	91.0	10497	89.8
North Moravia	8031	98.3	9410	97.3	10204	95.4	11121	95.1
Czech Republic as a whole	8172	100.0	9676	100.0	10696	100.0	11688	100.0

Sources: FSÚ (1991 – 1993) Statistická ročenka ČSFR; ČSÚ (1994 – 1999) Statistická ročenka České republiky

**Table VI/E Development of wage levels and differentiation between
different branches of the national economy from 1989 to 1998**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
CR as a whole										
CZK	3170	3286	3792	4644	5817	6894	8172	9676	10696	11688
Year-on-year index in %	102.4	103.7	115.4	122.5	125.3	118.5	118.5	118.4	110.5	109.3
Industry										
CZK	3311	3410	3972	4805	5893	6888	8148	9587	10733	11853
Year-on-year index in %	102.4	103.0	116.5	121.0	122.6	116.9	118.3	117.7	112.0	110.4
Ratio in %	104.4	103.8	104.7	103.5	101.3	99.9	99.7	99.1	100.3	101.4
Agriculture, game-keeping, forestry										
CZK	3430	3603	3706	7264	5100	5865	6878	7808	8503	9220
Year-on-year index in %	104.1	105.0	102.9	115.1	119.6	115.0	117.3	113.5	108.9	108.4
Ratio in %	108.2	109.6	97.7	91.8	87.7	85.1	84.2	80.7	79.5	78.9
Construction										
CZK	3526	3612	4041	5024	6529	7622	8837	10166	11225	12065
Year-on-year index in %	102.3	102.4	111.9	124.3	130.0	116.7	115.9	115.0	110.4	107.5
Ratio in %	111.2	109.9	106.6	108.2	112.2	110.6	108.1	105.1	104.9	103.2
Trade, repair of motor vehicles and consumer goods										
CZK	2658	2818	3259	4165	5131	6315	7201	8499	10519	11920
Year-on-year index in %	102.6	106.0	115.6	127.8	123.2	123.1	114.0	118.0	123.8	113.3
Ratio in %	83.8	85.8	85.9	89.7	88.2	91.6	88.1	87.8	98.3	102.0
Transport, warehousing, communications										
CZK	3374	3438	3914	4602	5672	6807	8241	9850	11320	12628
Year-on-year index in %	101.4	101.9	113.8	117.6	123.3	120.0	121.0	119.5	114.9	111.6
Ratio in %	106.4	104.6	103.2	99.1	97.5	98.7	100.8	101.8	105.8	108.0
Finance and insurance										
CZK	3116	3351	5192	7877	10336	12081	14017	16407	18658	21168
Year-on-year index in %	103.7	107.5	154.9	151.7	131.2	116.9	116.0	117.1	113.7	113.5
Ratio in %	98.3	102.0	136.9	169.6	177.7	175.2	171.5	169.6	174.4	181.1
Public administration and defence										
CZK	3211	3299	3994	5324	6914	8321	9608	11451	11788	12062
Year-on-year index in %	101.9	102.7	121.1	133.3	129.9	120.4	115.5	119.2	102.9	102.3
Ratio in %	101.3	100.4	105.3	114.6	118.9	120.7	117.6	118.3	110.2	103.2
Education										
CZK	2847	2894	3423	4206	5249	6325	7426	8993	9422	9852
Year-on-year index in %	101.7	101.7	118.3	122.9	124.8	120.5	117.4	121.1	104.8	104.6
Ratio in %	89.8	88.1	90.3	90.6	90.2	91.7	90.9	92.9	88.1	84.3
Healthcare, veterinary and social services										
CZK	2857	3043	3663	4387	5525	6475	7529	9068	9626	9945
Year-on-year index in %	102.3	106.5	120.4	119.8	125.9	117.2	116.6	120.4	106.2	103.3
Ratio in %	90.1	92.6	96.6	94.5	95.0	93.9	92.1	93.7	90.0	85.1

Sources: FSÚ (1991 – 1993) Statistická ročenka ČSFR; ČSÚ (1994 – 1999) Statistická ročenka České republiky

Table VI/F Breakdown of households by net financial income from 1988 to 1998

Indicator	Specific unit	Year			
		1988	1992	1996	1998 ¹⁾
Number of households	thousands	3805	3836	3822.4	3825
Average number of persons living in households	persons	2.67	2.66	2.66	2.66
Average total net financial income of households	CZK/month	4966	7472	14068	17252
Variation coefficient of total income	%	54	68	71	–
Proportion of the sum of net financial incomes accounted for by quintile bands					
Quintile band 1.	%	6.6	7.0	6.7	–
2.	%	13.5	12.7	12.3	–
3.	%	20.0	17.7	17.3	–
4.	%	25.2	23.9	23.6	–
5.	%	34.7	38.7	40.1	–
Average net financial income per person living in a household (A)					
	CZK/month	1860	2809	5289	6486
Percentage of households with net financial income per person in CZK/month bands					
up to 2000	%	61.1	16.0	1.7	–
2001 – 3000	%	28.9	51.0	7.5	–
3001 – 4000	%	10.0 ²⁾	19.2	18.8	–
4001 – 5000	%		7.5	27.7	–
5001 – 6000	%		6.3 ³⁾	16.2	–
6001 – 7000	%			9.5	–
7001 – 8000	%			6.0	–
8001 – 9000	%			3.8	–
9001 and more	%			8.8	–
Variation coefficient of net financial income per person					
	%	45	55	67	–
Positional indicators of breakdown of households by net financial income per person					
P ₅	CZK/month	1011	1500	2440	–
P ₁₀	CZK/month	1126	1763	3043	–
P ₂₅	CZK/month	1397	2151	3840	–
P ₅₀	CZK/month	1777	2593	4794	–
P ₇₅	CZK/month	2370	3311	6326	–
P ₉₀	CZK/month	3000	4581	8684	–
P ₉₅	CZK/month	3263	5400	10823	–
A/P ₅₀	coefficient	1.047	1.083	1.103	–
P ₉₅ /P ₅	coefficient	3.226	3.600	4.436	–
P ₉₀ /P ₁₀	coefficient	2.663	2.598	2.854	–
P ₇₅ /P ₂₅	coefficient	1.697	1.539	1.647	–

Sources: ČSÚ (1990, 1994, 1998) Mikrocensus 1988, 1992, 1996; ČSÚ (1994 – 1999) Statistická ročenka České republiky;

ČSÚ (1997 – 1999) Statistika rodinných účtů 1996 až 1998

Notes and explanations: ¹⁾ Estimate, ²⁾ CZK 3000 and more, ³⁾ CZK 5000 and more

Table VI/G Expenditure of households of employees on housing in rental housing from 1989 to 1998 (monthly average in CZK/CSK per household)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Rent and communal services	161	170	178	349	516	666	718	847	1076	1404
Rent and communal services	161	170	178	243	324	420	455	558	749	1021
Water and sewerage	–	–	–	53	114	155	163	175	201	231
Miscellaneous communal services	–	–	–	53	78	91	100	114	126	152
Electricity, central heating, fuel ¹⁾	254	262	413	572	632	734	803	922	1113	1392
Electricity	97	101	118	164	176	195	226	259	297	400
Gas	49	54	72	91	94	106	106	119	136	182
Central heating, hot water										
Fuel	97	95	202	295	341	408	445	517	644	784
Maintenance, reconstruction of house or flat	106	157	192	168	148	114	222	232	230	365
Building needs	55	82	102	60	58	38	70	87	79	161
Construction and housing maintenance	35	50	70	81	74	63	125	123	87	154
Investment needs	16	25	20	27	16	13	27	22	65	50
Total housing expenditure	521	589	783	1089	1296	1514	1743	2001	2419	3160
Expenditure on rent as a % of housing expenditure	30.9	28.9	22.7	22.3	25.0	27.7	26.1	27.9	31.0	32.3
Nnet financial incomes of households	5993	6331	7286	8752	10223	11804	13588	15692	16968	18589
Housing expenditure as a % of net incomes	8.7	9.3	10.7	12.4	12.7	12.8	12.8	12.8	14.3	17.0
Expenditure on rent as a % of net incomes	2.7	2.7	2.4	2.8	3.2	3.6	3.3	3.6	4.4	5.5

Source: ČSÚ (1990 – 1999) Statistika rodinných účtů

Notes and explanations: ¹⁾ In the years 1988 to 1991 this includes expenditure on water rates, sewerage and miscellaneous communal services

Table VI/H Expenditure of households of pensioners on housing in rental housing from 1989 to 1998 (monthly average in CZK/CSK per household)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Rent and communal services	129	135	137	240	361	469	532	633	840	1063
Rent	129	135	137	179	242	317	364	450	625	806
Water and sewerage	–	–	–	27	61	87	99	107	128	144
Miscellaneous communal services	–	–	–	34	58	65	69	76	87	113
Electricity, central heating, fuel ¹⁾	179	184	302	419	471	548	621	735	908	1101
Electricity	70	73	86	127	135	143	160	180	205	278
Gas	36	38	51	62	61	64	77	91	97	132
Central heating, hot water	63	64	152	210	262	328	365	431	578	666
Fuel	10	9	13	20	13	13	19	33	28	25
Maintenance, reconstruction of house or flat	25	29	31	41	21	44	96	125	77	111
Building needs	4	6	6	21	2	8	41	10	5	8
Construction and housing maintenance	18	16	15	18	17	31	44	97	59	89
Investment needs	3	7	10	2	2	5	11	18	13	15
Total expenditure on housing	333	348	470	700	853	1061	1249	1493	1825	2274
Expenditure on rent as a % of housing expenditure	38	38.8	29.1	25.6	28.4	29.9	29.1	30.1	34.2	35.4
Net financial incomes of households	2196	2347	3025	3445	4047	4528	5585	6595	7631	8370
Housing expenditure as a % of net incomes	15.2	14.8	15.5	20.3	21.1	23.4	22.4	22.6	23.9	27.2
Expenditure on rent as a % of net incomes	5.9	5.8	4.5	5.2	6.0	7.0	6.5	6.8	8.2	9.6

Sources: ČSÚ (1990 – 1999) Statistika rodinných účtů

Notes and explanations: ¹⁾ In the years 1988 to 1991 this includes expenditure on water rates, sewerage and miscellaneous communal services

Table VI/I Amounts of the official subsistence minimum in CZK (CSK) per month in the period from 1991 to 1998¹⁾

A. Amount to cover nutrition and other basic personal needs of a citizen (by a person's age):										
	1991	1993	1994	1995	1996	1996	1997	1998	Index 98/90	
	(29.10.)	(1.3.)	(1.2.)	(1.1.)	(1.1.)	(1.10.)	(1.7.)	(1.4.)	nominal	real ³⁾
Child up to 6 years old	900	1020	1120	1230	1320	1410	1480	1560	1.733	0.823
6 – 10 years of age	1000	1130	1240	1360	1460	1560	1640	1730	1.730	0.822
10 – 15 years of age	1200	1360	1500	1620	1730	1850	1940	2050	1.708	0.813
15 – 26 years of age ²⁾	1300	1470	1620	1780	1900	2030	2130	2250	1.731	0.822
Adult	1200	1360	1500	1680	1800	1920	2020	2130	1.775	0.843
B. Amount to cover essential expenditure on a household (by size of household):										
	1991	1993	1994	1995	1996	1996	1997	1998	Index 98/90	
	(29.10.)	(1.3.)	(1.2.)	(1.1.)	(1.1.)	(1.10.)	(1.7.)	(1.4.)	nominal	real ³⁾
Individual	500	600	660	760	860	970	1020	1300	2.600	1.234
2 persons	650	780	860	1000	1130	1270	1330	1700	2.615	1.242
3 – 4 persons	800	960	1060	1240	1400	1570	1650	2110	2.637	1.268
5 persons and more	950	1140	1260	1400	1580	1770	1860	2370	2.495	1.185

Sources: Act no. 463/1991 Digest, on subsistence minimum

Notes and explanations: ¹⁾ the total amount of the subsistence minimum is equal to the sum of the amounts given in part A (by a person's age) and in part B (by size of household)

²⁾ Unprovided-for child without own income(e.g. studying)

³⁾ The consumer price index 98/91 is 2.105

Table VI/J Structure of households of economically active persons by fundamental socio-economic criteria in the first income decile¹⁾ and in the entire set of households

Criterion	First income decile					All households		
	1	2	3	4 ⁽¹⁺²⁺³⁾	5 ³⁾	6	7 ⁴⁾	–4/6
	up to 1.00	1.001 – 1.3	1.301 – 1.37	absolute	relative	absolute	relative	
Total low-income households	71063 27.5%	137734 53.2%	49903 19.3%	258700 100%	100.0%	2586050	100.0%	10.0%
Total one-member households	6500 35.0%	9054 48.7%	3032 16.3%	18586 100%	7.2%	275336	10.6%	6.8%
Single woman	2439 29.6%	4399 53.4%	1396 17.0%	8234 100%	3.2%	120155	4.6%	6.9%
Single man	4601 39.2%	4655 45.0%	1636 15.8%	10352 100%	4.0%	155181	6.0%	6.7%
Childless	9458 28.3%	18410 55.1%	5538 16.6%	33406 100%	12.9%	1061139	41.0%	3.1%
With children	61605 27.3%	119321 53.0%	44365 19.7%	225291 100%	87.1%	1524911	59.0%	14.8%
With two children	24347 22.8%	59343 55.5%	23263 21.8%	106953 100%	41.3%	705875	27.3%	15.2%
With three children	10746 26.8%	23467 58.5%	5882 14.7%	40095 100%	15.5%	125236	4.8%	32.0%
With four and more children	5202 41.4%	6169 49.0%	1208 9.6%	12577 100%	4.9%	22278	0.9%	56.5%
With no economically active person	34771 63.9%	16393 30.1%	3214 5.9%	54377 100%	21.0%	67970	2.6%	80.0%
With one economically active person	30384 20.8%	87129 59.8%	28309 19.4%	145822 100%	56.4%	963287	37.2%	15.1%
With two economically active persons	5312 9.7%	32690 59.9%	16535 30.3%	54537 100%	21.1%	1207970	46.7%	4.5%
Complete nuclear family	32002 21.7%	83176 56.4%	32184 21.8%	147362 100%	57.0%	1451007	56.1%	10.2%
Incomplete nuclear family	34354 44.4%	24964 45.5%	5560 10.1%	54878 100%	21.2%	142955	5.5%	38.4%
Head of the household – unemployed	21668 59.8%	12376 34.1%	2206 6.1%	36250 100%	14.0%	53863	2.1%	67.3%
Head of the household – with elementary education	22420 39.2%	27345 47.8%	7399 12.9%	57164 100%	22.1%	251263	9.7%	22.8%

Source: ČSÚ (1998) Mikrocensus1996; calculation of VÚPSV

Notes and explanations: ¹⁾ Breakdown of households by coefficient of relation between households' own income and official subsistence minimum

²⁾ Including unfinished elementary education

³⁾ Proportion of households by criterion in the first income decile

⁴⁾ Proportion of households in the set of all households

Table VI/K Structure of households of pensioners by fundamental socio-economic criteria in the first income decile¹⁾ and in the entire set of households

Criterion	First income decile					All households		
	1	2	3	4 ^(1 + 2 + 3)	5 ²⁾	6	7 ³⁾	–4/6
	up to 1.00	1.001 – 1.3	1.301 – 1.37	absolute	relative	absolute	relative	
Total low-income households				100%	100%		100%	
Type of pension								
Old-age	1752 2.9%	24057 39.6%	34896 57.5%	60705 100%	48.6%	760497	61.5%	8.0%
Full disability	3454 16.1%	10329 48.2%	7641 35.7%	21424 100%	17.1%	133314	10.8%	16.1%
Partial disability	3015 38.2%	3398 43.0%	1487 18.8%	7900 100%	6.3%	18019	1.5%	43.8%
Total individuals	1654 2.3%	27990 39.4%	41365 58.3%	71009 100%	56.8%	563219	45.6%	12.6%
Single man	1017 9.0%	3011 26.5%	7334 64.5%	11362 100%	9.1%	128865	10.4%	8.8%
Single woman	637 1.1%	24979 41.9%	34031 57.1%	59647 100%	47.7%	434354	35.1%	13.7%
Complete nuclear family	2835 10.3%	13530 49.3%	11072 40.4%	27437 100%	22.0%	513525	41.5%	5.3%
Incomplete nuclear family	1941 19.2%	5810 57.5%	2349 23.3%	10100 100%	8.1%	13820	1.1%	73.1%
Aged 26 – 35	1164	1917	501	3582 100%	2.9%	7022	0.6%	51.0%
Aged 36 – 45	2583	4742	2910	10235 100%	8.2%	22913	1.9%	44.7%

Source: ČSÚ (1998) Mikrocensus 1996; calculation of VÚPSV

Notes and explanations: ¹⁾ Breakdown of households by coefficient of relation between households' own income and official subsistence minimum

²⁾ Proportion of households by criterion in the first income decile

³⁾ Proportion of households in the set of all households