

# **From protection towards activation: reform of social assistance in the Czech Republic**

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## **Introduction**

In this chapter we investigate the transformation of social assistance scheme in the Czech Republic with respect to the broader policy context, namely to the labour market policies. We will try to identify the nature of the activation reform, the direction of the reform and the key factors which have influenced the reform. We build our findings on the analysis of the policy changes in legislation and in its implementation. When doing it we refer to both primary sources like programme and policy documents, direct observation and secondary sources (namely the other analyses focused on this field). Beside we use aggregate as well as individual data on the labour market policies and their participants from several sources.

The Czech welfare state represents a mixed system: several elements derive from the conservative Bismarckian model inherited from the pre-war period (Cerami, 2006; Inglot

2008) modified by the communists who have implemented both more uniform elements as well as work-place related measures. After 1989 the post-communist governments have again modified it by imposing rather modest standards in social insurance combined with selective and targeted measures. These targeted policies however differed from the so called 'liberal model' in that they represented a combination of systemic and ad hoc/emergency measures, in final result generous enough to effectively alleviate poverty. They were motivated by a hidden agenda of the political strategy of 'protest avoidance' (since peaceful transition to market economy was at stake), compare Vanhuyse (2006a; 2006b). However, step by step the Czech welfare state is moving into a more liberal, residual direction: through decaying which is taking place by not increasing benefit levels (or benefit ceilings) to keep up with increases in average incomes, and by series of partial reforms (Saxonberg and Sirovátka, 2009). This was recognized as a trajectory towards 'low social expenditure' welfare state (cf. Armingeon, 2006) combined with *embedded neo-liberalism* based on generous, but essentially ad hoc and targeted benefits providing some safety nets (cf. Vanhuyse, 2007: 508).

In contrast to the most of the old EU countries the structure of social security system in communist countries lacked minimum income scheme. Social assistance scheme has been implemented in the Czech Republic only in 1991.

The social assistance benefits were based on the concept of the living minimum (minimum income standard which provides with sufficient means for living) which was differentiated for households of different size (with use of simple 'additive method': each person is provided with an amount for personal needs and after the household as a whole is also provided with the amount for households' needs). The scheme is administered by municipalities (their social departments) of bigger size who also perform this task for other small municipalities (there are about 400 municipalities in a country responsible for delivery of the benefits). However, financing is guaranteed from the central budget what means that municipalities get their social assistance benefits expenditure fully refunded by the national government. Apart of the scheme the other measures like minimum pension, minimum wage and the range of well targeted income-tested family related benefits were implemented during nineties. As a whole this 'extended social safety net' proved to be effective buffer against the increases of poverty in spite of the impacts of the transformation and poverty rates did not exceed the level of 8-10 % (compare Večerník, 2005; Sirovátka and Mareš, 2006).

The country joined the EU in 2004 and by coincidence the main activation reform steps in social assistance followed soon after accession. The reform has come relative late when compared to the other EU countries, however it has accelerated within a short period of

time span as a radical shift towards the ‘activation paradigm’ and seems to be a departure from the former model of social assistance which laid emphasis on the objective of social protection. However, the reforms have crystallized during several years before the legislation was adopted and they were undertaken due to coincidence of several factors. Among them we identify as most important the politics of transformation: this is *protest avoidance* strategy at the beginning of the reforms; ideological domination of the neoliberal public and political discourse during the whole period associated with individualization of the assessment of causes of welfare dependency; the gap between the policy discourse and opportunistic policies by government which eroded solidarity with social assistance recipients as well as the socially divisive policies; the composition of the target group and its perception by the public as least deserving to be provided with welfare benefits; the communist legacy of ‘top-down policy making’ laying in hands of the narrow circles of politicians and policy making professionals; the economic pressures during transformation and cost containment due to the EU accession and the strategy of the government to legitimize the other social reforms consisting in cuts of benefits and public services.

The paper is structured as follows: in the next section we characterize the point of reference for our analysis: this is the social assistance scheme as it was established and functioned in the Czech republic before the substantive reforms have been initiated (situation at the end of nineties). In the third section we analyze the reforms of the social assistance scheme and in the fourth section we put them into the context of the relevant developments in other areas of social policy (mainly labour market policy). In the fifth section we examine the dynamics of activation reforms by identifying the key trends in activation reforms, in the frame of the models of activation which are known from the previous studies, especially as suggested by Lødemel and Trickey (2001). Consequently we discuss the factors (and actors) which have influenced the direction of the reforms of social assistance and the mechanisms of their interplay. In the last concluding section we reflect on the nature of the reform, especially whether they represent a departure from the formerly established model and whether there have been some implications on the reforms enacted as a reaction to the 2008 financial and economic crisis.

### **Social assistance in the Czech Republic in late 1990s**

#### ***Key historical developments: transformation and implementation of social safety net***

Social assistance and income support play a significant role in all models of social policy especially in the context of the ‘new social risks’; insofar as the elimination of poverty is

generally considered a minimum goal of the welfare state (e.g. Ringen, 1987; Barr, 1993). In the post-communist countries measures to eliminate poverty were generally expected to be twice as important after 1989 due to the anticipated rise of unemployment and inequalities generated by economic transformation. Thus, since the early nineties and during the first decade of transformation the protective function of social assistance was strongly emphasized. In the Czech Republic social assistance scheme represented one of the cornerstones of the redesigned social security system after 1989. It was established as 'quasi-universal', relative generous and effective system in terms of poverty alleviation and, interestingly, apart of the continuously decreasing generosity, this system has not change much during 1991 – 2006.

The new system of minimum income support has been created in speed, however with a great emphasis on its protective function. The amount of the living minimum was calculated by taking economic constraints and acceptability by public into account. At the same time, a rule for indexation of this benefit was introduced (Dlouhý, 1997). In November 1991, the introduction of the Living Minimum Act<sup>1</sup> and closely related Act on Social Need<sup>2</sup> granted social assistance benefits in cases of insufficient income up to the amount of minimum living level. These two acts have introduced social assistance scheme which responded quite well the impacts of transformation and was comparable with the schemes known from European countries.

The basic safety net aimed at those who were worst hit by transformation was of prime concern of the government in the Czech Republic. At the same time it was well compatible with the long-term strategic intention by the centre-right government which was at power until 1997 and aimed to redesign the social protection system into a 'liberal' model which provides low replacement rates in all social insurance schemes allowing large room for private insurance and beside provides rather selective, targeted benefits. The minimum income scheme was assumed to play an important role in this new architecture.

In 1998 Social Democrats won elections and formed the minority government tolerated by Civic Democrats (centre-right leading party of the former government). Although they clearly preferred in their election programme the change of the welfare state towards the 'European Social Model' the economic decline in 1997-1999, necessity to speed up economic restructuring and increases of unemployment which before reached at most at 5 % but increased during 1999 and 2000 close to 10%. In this situation the social assistance/minimum income scheme again was expected to perform as a buffer against poverty risks. However, the government preferred above all to provide better protection to the 'regular' labour force which entered unemployment registers in great numbers during 1997-

2000 and in 1999 the ceiling for unemployment benefits was increased from 1.5 times more than the living minimum for a single person to 2.5 times more (this was close to the average wage). On the other hand the government did not reevaluate the living minimum on which social assistance is based so regularly during late nineties and after: the minimum income scheme thus continued to loose generosity which characterized this scheme implemented at the beginning of nineties.

### ***Gaps in activation of MI recipients***

In the Czech Republic activation traditionally was not well developed strategy. The reliance by policy makers was rather on the incentives which emerged from delayed revaluation of the living minimum (social assistance benefits) and on the strict regime associated with the general conditions of job-search. Since the early nineties the Employment Act used quite broad definition of suitable job: the level of previous wage or level of qualification did not need to be respected, only health status, family circumstances and obligations of child care were taken into consideration. If the job-seekers refused repeatedly a suitable job they might be excluded from Employment Offices' registers while losing entitlement for unemployment benefits and if they were recipients of social assistance benefits they were punished in their entitlements for the same period: only the amounts of the living minimum for personal needs of children were provided to their households (and exemptions were applied for those adults who cared about a child younger than 4 years or three and more children or person older than 80 years).

The active labour market measures have not been much extensive in the Czech Republic until the end of nineties. In response to a threefold rise in registered unemployment in late 1990s the Czech Republic slightly increased active labour market policy from 0.08 to about 0.12 % of GDP (0.20 % of GDP when including expenditure on administration) in 1998 and this level has remained relative stable. Especially weak was the support for labour market training (0.01 % of GDP). This is much less than in countries with a comparable unemployment rate (OECD, 2009) and enabled participation of only about 15 % of the unemployed in active labour market measures. The individual support with job-search was not developed; in most cases the unemployed including the long-term unemployed were provided just with basic information and job mediation although so called information and counseling centers were established at local employment offices for the youth and job clubs for the limited numbers of the hard-to-place unemployed were run.

No financial incentives like disregards or back-to-work bonuses were provided to the social assistance recipients. Since the minimum income scheme was designed at the beginning of nineties as relative generous (in the context of low replacement rates of unemployment benefits – in 1998 it was 50 % during first three months and 40 % during the second three months, with a ceiling 1.5 times more than the living minimum of a single person - and low replacement rates of the other social insurance benefits) the strategy of policy makers was to slow-down the revaluation of social assistance benefits. In 1991 minimum income scheme provided about 55 % replacement of net average wage for a single person, 99 % for a couple and 181 % for a family of four. These replacement rates dropped through time significantly: in 1998 they were 37 %, 65 % and 114 % respectively. This development has followed from the increase of nominal and real wages while revaluation rules were changed several times but lagged behind. The changes which were implemented by Social Democratic government in 1999 and 2000 have signaled the will not to let the living minimum to lag too much behind the wages. However, while the government increased the minimum wage close to replacement rate common in the EU countries the replacement rates of the social assistance benefits were let to fall (compare Table 1 below).

**Table 1: Benefit levels (percent of the average net wage), data on living minimum, minimum wage by the end of year, average wage and unemployment benefit yearly average**

<b>Indicator</b>	<b>1991</b>	<b>1994</b>	<b>1998</b>	<b>2000</b>
<b>Minimum living standard for single adult (per cent of net AW)</b>	55	39	37	35
<b>Minimum living standard for a couple (per cent of net AW)</b>	99	70	65	60
<b>Minimum living standard for family of four (per cent of net AW)*</b>	181	129	114	105
<b>Minimum wage (per cent of AW) – gross</b>	52	31	23	33
<b>Net minimum wage in % of Living minimum for single adult</b>	94	87	68	100

*Sources: Basic Indicators of Labour and Social Protection (yearly publication), Ministry of Labour and Social Affairs, Bulletin No 23, RILSA 2008. Unemployment benefit – data provided by MLSA.*

\* Two adults and two children 10-15 years old

\*\* does not include supplement to housing costs

Since the beginning the implementation of the system of social assistance was - similarly as in most of other countries – administered by municipalities, respectively by their social departments. The methodical guidance of the system of social assistance remained in hands of

the Ministry of Labour and Social Affairs. Administration of social assistance was kept completely split from the administration of unemployment benefits as well as from active labour market policies which are in competence of Public Employment Service (with its 77 local employment offices) which represent administrative body of the Ministry of Labour and Social Affairs. Municipalities are fully reimbursed for their expenditure on social assistance benefits from the government budget they are no way interested in activation of social assistance recipients.

### ***Implementation of activation measures for MI recipients***

The institutional features of the administration of the scheme have not been much favourable for activation. The first obstacle is the institutional split between social assistance administration and employment services administration both at the national and local level, with little cooperation between the both systems. In practice cooperation between Social assistance departments of municipalities and local employment offices has been poor or non-existent; municipalities only required from the social assistance benefits recipients the formal proof that they are registered as job-seekers at employment office. They did not intervene any way into their labour market inclusion nor they controlled job-search. Beside, no base was provided in legislation which would oblige employment offices and social departments of municipalities to cooperate in activating the social assistance recipients.

Another obstacle is represented by serious implementation deficits: in fact social departments have had not enough personnel capacity for the genuine social work with their clients and their activation. There were about 300 clients per one front-line staff of social departments while reasonable estimate was that it should be at most about 150 and that the working time devoted to the individual social work is really scarce. Beside, demanding administration procedures associated with decision making about benefit claims blocked individual social work (see MLSA, 2005b). From that reason social departments learned simply to wait until the employment offices excluded some of the unemployed recipients of social assistance benefit from the register and after they considered (with respect to the other entitlement conditions) whether they terminate or cut the benefits for the period of three months. Data shows that by the end of nineties nearly 10 % of the unemployment outflows (this is for example 52 thousand in 1998, above 61 thousand in 1999 and 69 thousand in 2000) were represented by the unemployed excluded by sanction while the number of the social assistance recipients was estimated as 452 thousand in 2000 (data MLSA/MPSV, 2007).

Summarized, at the end of nineties the social assistance scheme has been designed as ‘income protection of the last resort’, clearly of great importance in the context of social and economic reforms, aimed above all to protect the vulnerable groups against poverty. The activation function was not explicit: although originally generous replacement rates dropped significantly during nineties, the scheme was neither coordinated or integrated with active labour market policies nor it entailed any activation measures (the formal duty of the recipients to cooperate with employment office and to search a job was in fact the only element), not much effectively controlled by social assistance departments.

We can see this MI scheme as ‘protective’ safety net uncoordinated with activation measures. Such model cannot be associated either with the human capital development (HCD) approach or with work first approach (WFA) since the activation elements typical for these two approaches were missing. However, implicitly this model represented a starting point for the WFA approach due to the explicit reliance on broad definition of suitable job and harsh sanction in the case of job refusal (while investments into training or counselling for the unemployed were extremely weak).

## **The reforms: from protection towards activation**

### ***The motives for the reform***

Discussion about the necessity to redesign the scheme was carried among policy makers since late nineties. It was recognized that the social assistance scheme should better respond to the rising housing costs and should differentiate the contribution towards housing according to its real costs.

Second, the need was also recognized to distinguish the material and social causes of poverty and social exclusion and to provide more individual social work (case-work) in order to succeed in re-insertion of people into the labour market (and society). The third and most important issue was to provide stronger economic incentives to work by distinguishing the material position of those who are active in job-search or working for low wage from those who have become welfare dependent and had lost their initiative – this issue had been discussed intensively since nineties (e.g. Víšek, 1998).

After 1998 the Social Democratic government faced increasing unemployment and numbers of social assistance claimants which peaked in 2000 with a great share of households without children (mainly individuals).

**Table 2: Recipients of social assistance benefits based on ‘need’**

	Recipients
1991	134
1992	215
1993	186
1994	269
1995	306
1996	189
1997	216
1998	302
1999	433
2000	452

Notes: The data about social assistance were collected once a year and they presented number of social assistance recipients who received the benefit at least once a year. Data sources: MPSV/MLSA 2002 *Basic Indicators*.

The spending on social assistance increased mainly during 1997-2000 when unemployment rate went up from about 5 % to nearly 10 %. However, expenditure on benefits provided to households without children increased more than proportionally to unemployment growth between 1994 and 2005 – nearly ten times as much while expenditure on the families children increased twice.

It is important to note that in the Czech Republic unemployment benefits were provided only for a period of 6 months. the issue of incentives and activation of the long-term unemployed who apparently represented a core of the social assistance recipients was considered to be a key problem.

The Research Institute of Labour and Social Affairs was asked to examine the adequacy of subsistence minimum (two issues were in main focus: reassessment of the economies of scale and the adequacy of the contribution towards the housing costs); the recommendation was elaborated in 2003 (Baštýř, Chomátová and Kotýnková, 2003).

The new legislation has emerged in 2006 which was influenced from the one side by the experiences with the previous measures (and reflections on them in the above mentioned report by experts from RILSA) and from the other side by necessity to adjust the legislation to the EU standards. The main objective was to provide adequate minimum guarantees while increasing incentives in order to ‘activate’ welfare recipients (compare Vlášek, 2005; MLSA, 2005b).

The first and most important stage of the reform which had been discussed and prepared since the late nineties was materialized in the Act on the Living and Existence Minimum and in the Act on Assistance in Material Need from 2006. The latter stage of the

reform implemented by legislative initiatives by centre-right government established after elections in 2006, has followed during 2007 and 2008. These recent reforms steps were not so thoroughly prepared or discussed within the circles of the policy makers but they rather emerged from the political decisions. However, they consistently aimed at cutting social expenditure, 'halting misuse of benefits' and activation of the welfare recipients (see Government declaration from January 2007).<sup>3</sup>

***The key elements of the activation reform: the first stage***

The new relevant acts which were adopted by Parliament in 2006 have implemented several substantial changes in line with the abovementioned aims. The personal scope of application of MI scheme has been expanded in several respects, in line with the obligations emerging from the EU membership and in line with a broader understanding of the concept of the 'social and material need'.<sup>4</sup> The concept of existence minimum expanded the guarantees in cases where willingness to work or cooperation with the administration in improving income is assessed as deficient or in cases of those who have been sanctioned for failing to comply with their obligations as a child's legal representative connected with compulsory school attendance (formerly they had no entitlement, only their children).

The other changes addressed the issue of activation of the recipients of social assistance. The measures adopted were relative complex. First, the increased conditionality restricted the access to the benefits in the case of young people and long-term unemployed. The most important was re-shifting responsibility towards the family: according the new legislation adult children and parents sharing accommodation were considered as a household when testing means of subsistence for the purpose of the allowance for living. In practice this measure has excluded most of the youth unemployed from benefit entitlements.

Another key change in MI scheme was that the national living minimum includes now only the costs of basic personal needs of the members of the household (while the amounts for the individual members were augmented). The economies of scale have been considered in the new amounts of the living minimum.<sup>5</sup> Based on the concept of the living minimum the allowance/contribution for living, the amount of which is given by national legislation is provided to the households in need. Next is provided the supplement for housing (dependent on real 'reasonable' costs of housing).<sup>6</sup> The main reason for this change in covering the costs of housing within the system of social assistance were locally increasingly differentiated costs of housing, depending on the region and the size of municipality of residence.<sup>7</sup> At the same

time it was assumed that municipalities will become interested in solution in the housing situation of the citizens due to this arrangement (Vládní, 2005).

Beside, the positive work-incentives in the form of disregard have been implemented: only 70 % of income from work and 80 % of income from sickness and unemployment benefits is taken into account when testing the means of subsistence. Lastly, those who seek actively employment and prove increased costs of job-search have been recognized as deserving the special respect and have been provided with special bonuses when the living minimum was calculated.

Next, the individual work with the benefit recipients had to support their activation: an 'activation plan' to be elaborated (independently of the Individual Action Plans implemented by the Employment Offices) for those who were recipients of the welfare benefits for more than 6 months (and also a 'plan of individual motivation' for those whose situation requires immediate assistance).

The above changes were designed after the cautious considerations of the balance between adequacy of the benefits and incentives to work and combined both the repressive and restitutive sanctions. The proposals were subject to the expert independent assessment as well.

### ***Speeding up with the radical activation reform: the second stage***

After the first stage of the MI scheme reform the other changes followed soon which were more radical. This was enabled thanks to the political turn-off in government composition.. In June 2006 the Social Democrat' s led government lost majority in Parliament and – after difficult negotiations – the centre-right coalition government of Civic Democrats, Christian Democrats and Greens has emerged with slight majority in Parliament, dependent on the support of two former Social Democrats who deserted from their camp.

The new Parliament accepted within the comprehensive package of the 'social reform' acts in August 2007 one important change in social assistance: automatic revaluation of subsistence and existence minimum was cancelled and is only in the discretion of the Government. Neither in 2007-8 nor in 2009 subsistence minimum was revaluated, although in 2007 inflation rate was 2.8 %, in 2008 it was 6.3 %, in 2009 (by September) it was 2.1 %.

At the same time, in kind benefits or benefits addressed to the so-called 'substitute' recipient are possible in cases of misconduct of the benefit recipient. The bonuses in calculation the amount of living for those who seek actively employment and prove increased costs of job-search were cancelled in 2007.<sup>8</sup> These changes have signaled the turn off from

the 'balanced activation approach' which respected the issue of the adequacy of the MI scheme towards the explicit 'activation by workfare' approach (Lødemel and Trickey 2001).

The entitlements for social assistance benefits have been cut again in September 2008 (by coincidence at the times of the coming economic crisis) and came into effect since January 2009: after 6 months, the social assistance benefits recipients are entitled only to *existence minimum* instead of the *living minimum*. Only in case that they participate in public works between 20-30 hours per month they are entitled for the living minimum. If they work more than 30 hours they receive a bonus to the living minimum in amount of half of difference between the living and existence minimum.<sup>9</sup> Activation plan which was in competence of Social Departments was cancelled from the reason that according to experience gained during 2007 and 2008 it has appeared to be beyond the capacities of the Social Departments' staff of municipalities. Instead Employment Offices were obliged to elaborate activation plans with all unemployed after 5 months of their unemployment.

The above measures explicitly aimed to increase activation pressures on the unemployed. In August 2009 about 24 thousand from 123 thousand claimants for the allowance for living were evidenced as entitled to the lower benefit corresponding to the mere existence minimum. The new institute of public services has been criticized by Ombudsman since some of the unemployed objectively cannot work (due to their disability or other individual problems) and beside the municipalities do not offer sufficient opportunities to the social assistance recipients to participate in the programmes of public service jobs (CT24 2009).

Not much information is available about the numbers and structure of the recipients between 2006-08 after the crucial legislative changes.<sup>10</sup> However, some data confirm a significant decrease of the number of recipients of social assistance due to the changes implemented by legislation in 2006 Act on Assistance in Material Need and Act on Living and Existence Minimum: between 2006 and 2007 the number of recipients decreased in total by about 58% (from 169 to 72 thousand) (Jahoda, Kofroň and Šimíková, 2009) and in 2008 it dropped to 65 thousand (MLSA 2009) .

Summarized, the direction of the reforms of social assistance/MI scheme adopted between 2006–08 may be understood as a significant shift towards the principle of activation. When assessing the activation strategy we can recognize within this short period of time a radical shift from the balanced approach to activation underpinned with the positive incentives and restitutive sanctions (as implemented in 2006) towards the explicit workfare strategy of the enforced activation underpinned with use of repressive sanctions.

### ***Developments in unemployment protection and labour market policy***

The reforms in MI scheme have been accompanied with the reforms in the field of unemployment protection and employment policies.<sup>11</sup> They focused similarly like MI scheme reforms on the activation of the unemployed, with a special focus on the youth and the long-term unemployed.

#### *The first stage: new Employment Act (2004)*

The first opportunity for implementing the reforms emerged with the accession to the EU since the employment legislation had to be harmonized with the EU. The new Employment Act from 2004 entailed several measures of increased conditionality and administrative pressures, restricted access or cuts in unemployment benefits and finally making work pay measures aimed to improve work incentives. Young unemployed and the long term unemployed have been the target groups of the reform.

Job-search incentives have been increased, mainly by implementing a stricter definition of a 'suitable job' that describes as 'suitable' also temporary jobs - the jobs that last for longer than 3 months and amount to 80 % of full time. In the case of long-term unemployed persons the job may last for even a shorter period of time, provided it corresponds to no less than 50 % of full time. It is not necessary to take into account qualification, abilities, accommodation and accessibility by transport (only health status must be considered). Refusal to participate in a temporary job (including subsidized jobs such as public work programme), refusal to undergo medical examination organized by the Employment Office or noncompliance with the Individual action plan commitments may therefore result in sanctioning the unemployed (the loss of the benefit entitlements for the period of six months). Further, school graduates were according the new act no longer entitled to unemployment benefits unless they fulfil the employment record condition (i.e. 12 months within the last three years) while before studies were assessed as substitute to the working period.

The Employment Act from 2004 had established a duty for employment offices to offer individual plans to the unemployed younger than 25, however participation was voluntary and as documented in some studies (Sirovátka, Horák and Horáková, 2007; Horák and Horáková, 2009) over the personnel capacities of employment offices. The planned impacts of the programme on high numbers of low motivated unemployed did not come and

the target of 25,000 IAPs promised in National Reform Programme 2005-08 for 2006 was not met.

**Table 3: The Individual action plans signed by unemployed < 25 years, PES data**

	2004	2005	2006
<b>Inflows of the unemployed &lt; 25</b>	39,449	45,839	39,229
<b>IAPs</b>	19,477	14,909	7,064
<b>IAPs in per cent of inflows</b>	49.3	32.5	18.0

Note: data by MLSA/MPSV (2005, 2006, 2007), own computations.

The national centre of the Public Employment Services (PES) attempted to improve governance of labour market policies in 2004 when they formulated *A plan of institutional, merit and timely preconditions for the realization of the NAPE measures in 2005-2006*. The PES subjected local employment offices to meeting the quantified targets since 2005, in the form of ALMP targeting. However, the set targets for 2006 and 2007 lacked ambition: in ALMP measures, they determined the participation of 30 % of the unemployed for more than 6 months in ALMP measures (nevertheless, there was twice as higher share of them in the registers!), 20 % of the unemployed of more than 50 years of age (there were about of them 30 % in registers) and 25 % of the unemployed up to the age of 25 years (this figure slightly exceeds their share among the unemployed). Consequently these goals have been fulfilled without problems in the majority of employment offices. The quantitative targets of contracting the Individual action plans which appeared to be more difficult to achieve - see next paragraph - were in fact abandoned (see MLSA/MPSV 2007, 2008).

Beginning in 2005, new opportunities opened up for active labour market policies through projects of the European Social Fund. During 2006 and 2007, the projects of ESF enabled to increase the relative numbers of the ALMP participants from 19 % (2005) to nearly 32 % (2006) and then 39 % (2007) of the unemployment stock (this is more than twice). This trend indicated some advancement in activation strategy with possible inclination towards the Human Resources Development approach.

*The second stage: amendment of the Employment Act (2008)*

During 2007-2008 the centre-right government was focusing on the activation with more vigour and the new measures were adopted in the MI scheme (see the previous paragraph). However, the changes were accompanied with other measures taken in field of unemployment protection and employment policy. In September 2008, the Parliament has approved the proposal that the unemployment benefits are provided only 5 months for people below 50

years, 8 months for people 50-55 and 11 months for people above 55 (this is in all cases one month less than before), while the level of the benefit is increased in two first months to 65 % (instead of 50 %) while remained at 50 % in next two months and 45 % for the rest of the period covered. And mainly, after 5 months of unemployment the employment offices are obliged to elaborate the Individual action plans with the unemployed. Failure to fulfill the obligations of this individual contract (or refusal of it or refusal of the vocational training programme) implies the removal from the register and the reduced entitlements for social assistance benefits (existence minimum only).<sup>12</sup>

These measures explicitly aim to increase the pressures on the long-term unemployed. On the other hand, the trend of the increasing emphasis in active labour market policies like job creation and training evidenced during 2005-07 thanks to the ESF resources has been abandoned. The increase of the numbers of ALMP participants by slightly more than 40 % between 2005 and 2006 (from 98 thousand to 141 thousand) was possible only due to the ESF projects and resources. In contrast, in 2008 the numbers of the participants in ALMP measures dropped below the level of 2005 (85 thousand) while ESF projects represented about one third of the programmes and clearly replaced part of the previously existing national ALMP measures. The strategy by government is apparent to reverse the scope of the policies to the previous (rather low) standards. In 2009 the total number of ALMP participants was about 102 thousand which is similar to situation in 2004 and 2005, while the level of unemployment was slightly higher (539 thousand compared to 542 and 510 thousand).

The activation strategy which was based in the recent period mainly on the repressive sanctions has brought seemingly some results in terms of restricting benefit dependency. We see (table 4) that in 2007 and 2008 more than the quarter of the outflows from registers represented the unemployed who were excluded due to misconduct (during crisis in 2009 it dropped to 16%), while in 2004 it was (similarly like in the previous years) only about 11 %. This explains the declining share of the long-term unemployed in 2008: long term-unemployment has dropped during 2008 from 39 % at the end of 2007 to 29 % (however there is an evidence that the excluded often return back after the period of six months to the registers).

**Table 4: The unemployed excluded from register due to misconduct (non-compliance with rules of cooperation with PES), PES data**

	2004	2005	2006	2007	2008	2009
Unemployed (thousands)	541.7	510.4	448.5	354.9	352.2	539.1
Outflows from register (thousands)	675.1	669.5	672.6	652.6	679.8	637.1
Excluded from register (thousands)	59.6	83.5	87.0	97.2	91.1	85.5
<b>Excluded as per cent of unemployment outflows</b>	<b>8.8</b>	<b>12.5</b>	<b>12.9</b>	<b>14.9</b>	<b>15.7</b>	<b>13.4</b>
<b>Excluded as per cent of unemployment stock</b>	<b>11.0</b>	<b>16.5</b>	<b>19.4</b>	<b>27.4</b>	<b>25.9</b>	<b>15.9</b>

Note: data by MLSA, own computations.

The reforms in social assistance MI scheme and unemployment protection/labour market policies are summarized in the table 6 below.

### **The dynamics of the activation reforms**

In this section we identify the trends of the activation reforms and after we will discuss the main factors which have shaped them. Our examination of the dynamics of the activation policies in the Czech Republic builds on the previous findings that two stylized approaches may be distinguished: work-first approach versus the human resources development/human capital approach (Lødemel and Trickey, 2001). Although this distinction has been reformulated into different dichotomies like the liberal approach versus the universalistic approach (Barbier, 2004; 2007); employability versus capability approach (Bonvin and Farvaque, 2007); social disciplining versus social integration approach (Larsen and Mailand, 2007), some authors still prefer to keep this original distinction (Bredgaard and Larsen, 2007) since it clearly captures both the goals and principles of the policy as well as the substance of the concrete measures. The key dimensions of this distinction are discussed in Lødemel and Trickey (2001) and again Lødemel (in this volume).

### ***Identifying the key trends***

In the Czech case the activation reforms have been implemented only after 2000 and have coincided with the accession to the EU. They have been initiated with the Employment Act from 2004 and continued with legislation on MI scheme in 2006 and the amendments in 2007 and 2008. The reforms expanded right to MI protection by implementing the concept of the existence minimum (the amount of income enabling survival) to which even those claimants considered as *passive* and *undeserving* are entitled; this was not the case before. On the other

hand more conditionality emerged with a broad definition of suitable job and mainly due to curtailing of MI guarantees. The most crucial is the time limit on the entitlements for the living minimum combined with strict requirement of workfare, exclusion of the youth living with parents from the entitlements.

In terms of the typology LMA – HCD approach the Czech reforms may be interpreted as fast installation of the LMA model. At the beginning of the reforms in 2004-06 some balance has been evidenced between LMA and HCD approach. Several elements of the HCD approach have been apparent: Individual action plans as an *offer*, participation was voluntary and individually negotiated; positive work incentives were implemented in the form of disregards (half of minimum wage earnings tolerated for the recipients of the unemployment benefit, only 70 % of earnings counted as income for the social assistance benefit entitlement); beside in 2006-07 the scope of ALMP measures has been increased.

On the other hand coerciveness of MI scheme increased significantly: strict definition of suitable job was implemented, the adult youth were considered as one household members with their parents if living in one flat/house. And mainly, during 2007-2008 the trend toward WFA has clearly dominated: first, the Individual action plans have been turned into *obligatory* measure under the threat of strict sanctions. The positive incentives showed to be no so much important since disregards are too low compared to earnings. And the scope of ALMPs has shrunk in spite of the increasing unemployment. In contrast the obligation of the government to reevaluate the living and existence minimum has been canceled and finally, the social assistance recipients are after 6 months cut in their entitlements (only existence minimum is available to them). While only through participation in the programme of public service works they can increase the benefit, no guarantee of the participation is given to them. The ‘repressive sanctions’ aiming to punish the recipients (Moreira 2008: 76-9) are strong in their case while the ‘restitutive sanctions’ are not so much important in practice, although present in legislation.

The individual action plans however, can potentially represent both repressive as well as restitutive sanction, depending on how they are implemented. The dichotomy is identified between the formal contract as a bureaucratic tool to increase pressures (obligation to accept any job) on the one hand, and the genuine support in the form of individual counseling to the job-seekers in search for solutions, participation in human capital development programmes including. However, the existing studies show that although the second approach exists in the Czech Republic, the repressive strategy prevails at most of the employment offices in the Czech Republic (Sirovátka, Horák and Horáková, 2007).

In the long term perspective the activation strategy has inclined explicitly towards strong preference of the financial incentives. In spite of the fact that the activation reforms have been implemented only since 2004 and after, in the long term (due to delays of revaluation of the amounts of the living minimum) the adequacy of the MI scheme is continuously decaying. For development of the replacement rates of the social assistance compare Table 5.

**Table 5: Benefit levels (percent of the average net wage), data on living minimum and minimum wage by the end of year, average wage and unemployment benefit yearly average**

Indicator	2000	2002	2004	2005	2006	2007	2008
Minimum living standard for single adult (per cent of net AW)	35	33	29	30	28	18**	18**
Minimum living standard for a couple (per cent of net AW)	60	56	50	50	48	32**	31**
Minimum living standard for family of four (per cent of net AW)*	105	96	85	86	81	55**	53**
Minimum wage (per cent of AW) – gross	33	36	37	38	38	37	34
Net minimum wage in % of Living minimum for single adult	100	115	133	135	152	216	224

Sources: *Basic Indicators of Labour and Social Protection (yearly publication)*, Ministry of Labour and Social Affairs, Bulletin No 23, RILSA 2008. Unemployment benefit – data provided by MLSA.

\* Two adults and two children 10-15 years old

\*\* does not include supplement to housing costs

The established implementation institutional structure of activation measures and its rigidity to the changes has also contributed to the inclination to ‘simple solutions’ which are consistent with the LMA approach, or more precisely, with the ‘simple version’ of the LMA approach. First of all, the administration of MI scheme is completely split from Public Employment Services both at the national and local level. Second, financing of the MI scheme is decentralized in benefit delivery but centralized in financing (expenditure are fully reimbursed to municipalities which deliver social assistance benefits from the central budget). Third, the personnel capacities at the national as well local level of MI scheme or PES are poor: this is a crucial obstacle to the more effective coordination of the activation measures and strategy.

The Czech approach, however, did not aim to improve the governance of activation although the problems which hamper effective activation are obvious. This is partly due to the institutional stickiness and the tradition of the parallel ‘resort policies’, partly due to the reliance on simple ‘financial’ incentives and repressive sanctions rather than on coordinated and multidimensional measures. Thus the main change in the activation towards HCD approach was evidenced in the field of placement services and active labour market policies where the measures for the unemployed have been temporarily increasing in scope due to the ESF projects and outsourced with greater participation of the private agencies and non-profit, non-governmental organizations. It is not however clear to what extent this trend to ‘marketization’ has contributed to better targeting or better quality of the services. Some studies indicate that there was in fact no change evidenced in this respect (Horáková, Tomešová and Vyhlídal, 2010).

For the summary of the trends in activation see Table 6.

**Table 6: Key tendencies in activation reforms**

<p style="text-align: center;"><b>Curtailment in entitlements</b></p> <ul style="list-style-type: none"> <li>• Exclusion of certain groups previously entitled to MI protection:</li> <li>• 2006 – <i>adult children living with parents lose entitlements</i></li> </ul>	<p style="text-align: center;"><b>Improvement in entitlements</b></p> <ul style="list-style-type: none"> <li>• Expansion of MI protection to groups previously not covered</li> <li>• 2006 – <i>those non-active in job search, formerly excluded from the register of Employment Office and entitlements gain entitlement for existence minimum</i></li> <li>• 2006 - <i>EU citizens, persons in asylum status gain entitlements</i></li> </ul>
<p style="text-align: center;"><b>Increased Coerciveness</b></p> <ul style="list-style-type: none"> <li>• <b>Strengthening of sanctions</b></li> <li>• 2004 – <i>exclusion from Employment Office register and loss of entitlements for 6 months instead of 3</i></li> </ul>	<p style="text-align: center;"><b>Decreased Coerciveness</b></p>
<p style="text-align: center;"><b>‘Work-First’ Approach</b></p> <ul style="list-style-type: none"> <li>• Reduction of exceptions to work requirement, or</li> <li>• <b>Loosening of definition of suitable work, or</b></li> <li>• 2004 <i>stricter definition of suitable job, especially in case of long-term unemployed</i></li> <li>• <b>Investment in job-search and (direct and indirect) job creation, or</b></li> <li>• 2005-2007 <i>temporarily more investments into job creation</i></li> </ul>	<p style="text-align: center;"><b>‘Human Capital Development’ Approach</b></p> <ul style="list-style-type: none"> <li>• Tightening of definition of suitable work, or</li> <li>• Investment in education/training measures</li> <li>• 2005-2007 <i>temporarily more investments into training</i></li> </ul>

#### **Increased reliance on financial incentives**

- **reduction of benefits**
- 2006 *existence minimum*,
- 2007 *cancelled legislative guarantee of revaluing living/existence minimum*
- 2008 *living minimum only 6 months and after only for those active in public service jobs*
- **introduction/improvement of earnings disregards**
- 2004 – *half minimum wage disregard for those who receive unemployment benefits*
- 2006 - 70% (80%) *earning disregard in social assistance*
- **introduction/improvement of in-work benefits**
- 2008 *bonus in amount of half of difference between living minimum and existence minimum for those with low earnings*

#### **Little attention to financial incentives**

#### **Decentralization of benefit administration**

- Decentralisation of funding responsibilities, or
- Decentralisation of responsibilities for allocation/withdrawal of benefits
- *No change, responsibilities decentralized*

#### **Centralization of benefit administration**

- Centralisation of funding responsibilities, or
- Centralisation of responsibilities for allocation/withdrawal of benefits
- *No changes, funding centralized*

#### **Individualization**

- **Introduction of individual action plans, or-**  
*Individual action plans implemented in 2004 voluntary, since 2009 obligatory, implementation formal (capacity problem)*
- **Flexibilisation of activation requirements, sanctions and services**
- *Implemented legislative changes which distinguish between 'active' and 'passive', between short-term and long-term unemployed*

#### **Standardization**

- Increased reliance on one-size-fits all programmes
- Increased reliance on profiling
- *No change*

#### **Managerial Approach**

- Introduction of performance targets
- **Purchaser-provider split (creation of internal markets, introduction of private providers in the delivery of activation services)**
- *Expansion of the internal markets*
- Streamlining of benefit and employment services

#### **Bureaucratic Approach**

- **Absence/elimination of performance targets**
- *Not much change, weak targets*
- Maintenance/Reinforcement of unity between purchaser and provider
- **Maintenance/Strengthening of separation between benefit and employment services**
- *Not much change, separated systems*

### ***The factors shaping the reform***

In this section we discuss the factors (and actors) which have influenced the direction of the reforms of social assistance. We are concerned with the following factors: the scope and relevance of the problem (long-term social assistance dependency), the institutional path

dependency, the political factors (role of the political parties, the public and voters), the role and profile of the group which is to be activated; compare Lødemel and Trickey (2001).

Obviously, long-term benefit dependency associated with the long-term unemployment represented the strong motive of the reforms. During late nineties unemployment has become a problem in the Czech Republic and even after 2000, in times of the accelerating economic growth it achieved around 8-9 % with share of long-term unemployment above half of the unemployment stock what means that long-term unemployment rate was above 4 %. Between 1997 and 2000 the number of the benefit/social assistance recipients more than doubled (while expenditure increased more than three times) and after they have not drop significantly in spite of improving unemployment figures. During 2001-06 expenditure on social assistance benefits varied between 8-9 bill. CZK which was still less than expenditure on unemployment benefits (8-11 bill. CZK) but more than expenditure on active labour market policy (4-5 bill. CZK). In this context welfare dependency was considered as a problem: easy access to benefits and lack of incentives for social assistance recipients to work was often publicly discussed and finally expressed in the proposal to the reform of MI scheme as one of the main underlying reasons (Vládní 2005, MLSA 2005b).

However, the expenditure on social assistance benefits still did not represent more than about 0.2 % of GDP and the main explanation of the reform of MI scheme should be rather seen in a broader political context of the partisan politics shaping the dynamics of the Czech welfare state. This specific context includes several circumstances which worked together as triggers of the reform. We can summarize their cumulative effect as erosion of solidarity of the public with the groups protected by MI scheme. To start with, in the Czech Republic, until 1998 the centre-right government was at power, represented mainly by Prime Minister Václav Klaus whose rhetoric was always strongly neoliberal and dominated in public and political discourse. The welfare state had been often criticized in its principles and the assessment of the causes of welfare dependency based on their 'individualization' has become widespread. In contrast in the policy practice rather the opportunistic measures have been realized even by centre-right government, in line with the *protest avoidance* strategy (Vanhuysse, 2006b) which in the case of Czech Republic was represented by 'slow reform path' of 'bank socialism' which in the field of economic policy tolerated ineffective companies and in social policy field it provided relative generous safety net. At the same time illegal work has been widely tolerated until present due to insufficient legislation and failures

in implementation of the existing tools, in spite of declarations by governments promising to suppress it.

At these circumstances the social assistance benefit recipients have been blamed in the eyes of the public due to the gap between relative benevolent approach by political elites towards them in practice on the one hand and the public discourse on the causes of their welfare dependence on the other hand. This gap between discourse and real policies has slowly eroded solidarity with the social assistance recipients. Another source of the erosion of solidarity with the social assistance recipients was the overall change of the welfare state. During nineties the targeted policies have been implemented: not only MI scheme but also other income tested family related benefits like child benefit, social supplement, housing benefit and other. On the other hand the benefits provided to the middle classes (median voters) like social insurance benefits dropped in generosity (this means that only low replacement rates for middle and high income brackets were provided) (Saxonberg and Sirovátka, 2009). Such context has made the reform of MI scheme towards the LMA approach based on the repressive sanctions quite legitimate.

The first reform steps in MI scheme were adopted in 2004-06 by the government led by the Social Democratic party. In the time of the accession to the EU (2003/4) the Czech Social Democrats faced uneasy policy choices. Although in their election programme they promised to adhere to the EU Social Model they had to carry on the reform of public finance in order to diminish the public finance deficit and have been forced to search for the savings in public expenditure. This situation has deepened the dilemma of *double backlash* (see Keman, Keersbergen and Vis, 2006): whether to protect better the 'old risk groups' which form the traditional core electorate of this party ('regular work force', pensioners) or the 'new risk groups' which are more heterogeneous, less politically organized and less powerful. The inclination of the Czech welfare state to concentrate on the 'old risks' at the eve of 2000s has been already documented (Sirovátka, 2007) and has been reconfirmed in this situation again. Social protection for the marginal groups has become the target of the curtailments, with the consequence that the marginal groups are becoming the outsiders within the welfare state (for the similar conclusions compare Kitschelt, 2001; Rueda, 2005).

Although the Czech government of Social Democrats has laid the emphasis on the implementation of the EU standards even in the field of social assistance since 1998, the tendency toward LMA approach has prevailed during time. This trend was apparent even before in the constantly decreasing replacement rates of social assistance benefits due to

delays of revaluations of the living minimum. In contrast the Social Democrats' led government preferred to improve protection for the 'insiders' in 1999 (increased ceiling of unemployment benefits) and in 2004 (replacement rate after first three months increased from 40 to 45 % and duration of benefit provision prolonged for the unemployed above 50/55 years from 6 to 9/12 months).

Regarding the low legitimacy of the MI scheme in the eyes of the public and policy makers the target group and its profile plays evidently a role. Not only the recipients were blamed in the eyes of the public by public discourse on their 'moral failure' but there is also a hidden 'ethnic agenda' connected with this issue: although it is not allowed to make records on the composition of the unemployed or social assistance recipients with respect to ethnicity, the general publicly shared assumption (often echoed in media) is that Roma population is living mainly on social assistance. Some empirical research has indicated specific unemployment rate among Roma<sup>13</sup> slightly below 50 % with the prevailing long-term unemployment (Sirovátka et al., 2006) while other studies have shown that more than 300 localities (with about 70 thousand inhabitants) exist in the country which are considered as 'socially excluded' with a high share of Roma population and unemployment rates often about 90 % (Gabal, 2006).

Low legitimacy of social assistance recipients in the eyes of the public and individualization of the causes of poverty is well documented in data (see Eurobarometer, 2007).

**Table 7: Potential causes of poverty in Czech society, 1991 and 1999 and 2007**

	<b>1991</b>	<b>1999</b>	<b>2007</b>
Why are there people living in poverty in Czech society? There are four possible causes: Which of them do you find most important?	% of respondents	% of respondents	% of respondents
<b>They have had bad luck.</b>	<b>12</b>	<b>15</b>	<b>22</b>
<b>They are lazy and lack will power.</b>	<b>54</b>	<b>42</b>	<b>34</b>
There is injustice in our society.	17	19	21
Poverty is an unavoidable part of progress.	22	18	13

Note: missing answers: 'none of these', 'do not know'

Source: European Values Study, Czech Republic 1991, 1999. Eurobarometer 2007.

Individual causes (bad luck and laziness) together clearly prevail over the social causes: 56 % to 34 % while in average for EU-27 this ratio is reversed: 39 % to 50 % (Eurobarometer, 2007).

And when asked about the right of different groups to financial support<sup>14</sup> in 2007 (and before in 1998) the support by public (on scale 1-10) was in case of the unemployed only 4.46 (5.09), in case of Roma mere 2.70 (2.48). On the other hand some groups have got constantly high support by public like disabled 8.97, compare Saxonberg and Sirovátka (2009).

Lastly, the eroded solidarity with the MI benefits recipients and low legitimacy of the scheme and the target group play a certain role in broader context of welfare state reforms. During the last period (2006-09) the welfare dependency has become a key argument used by the right-wing government when reasoning on the welfare state reforms which aim to cut the public spending. The Government declaration from 2007 refers on the one hand to the '*non-sustainably high welfare spending*'<sup>15</sup> and the need to '*halt the abuse of the social system*' and to end '*the welfare dependency*' by reforming the social system the way '*the work would pay itself compared to welfare*'. In this broader context the radical reforms of MI scheme help to legitimize the other far reaching social reforms consisting in cuts in benefits and public services (like implementing fees in health care, cutting family benefits, reform in pensions towards lesser emphasis on the public pillar and other, while cutting social insurance payments and implementing flat taxation on incomes on the other hand).<sup>16</sup>

Next, the institutional setting of the policies associated with activation contributed to channel the direction of reforms. The relevant institutional features like the split between social assistance administration and labour market policies, poor personnel capacities, weak coordination and governance, low emphasis on active labour market policies etc. have led to the search for 'easy' and non-expensive solutions like restricted access to social assistance benefits, lower generosity, financial incentives and repressive sanctions on the one hand and at the same time it caused failure of the more demanding measures if they were introduced like the attempts to implement individual action plans aimed originally as genuinely individualized treatment and support in job-search.

Lastly, some influence of the international organizations was apparent in the reforms of MI scheme and social reforms in general: first, in times of accession to the EU the Social Democrats' led government preferred to implement the EU standards like the guarantee of minimum income for all citizens (existence minimum). On the other hand it was also pushed to make savings in social expenditure and to activation reforms by the requirement of the low deficit of public finance (Copenhagen criteria for the new member states and Stabilization and Growth Pact). At these circumstances the MI scheme recipients has become a target of benefit

cuts later. For the centre-right government from 2007 the motive of the balanced public budget has become the central issue. Explicitly it used the argument of the public budget deficit to legitimize the reforms like flat taxation and cuts in public budgets. This motive has been recently successfully repeated by right wing parties in the election campaign (June 2010) and underpinned with the example of Greece public budget failure.

## **Conclusions**

The reforms of MI scheme in the Czech Republic in the period of last ten years have followed the common direction: from the protection towards activation where the features of labour market attachment approach have clearly prevailed.

This trend was not much apparent until 2006. Originally, in early nineties the context of implementation of MI scheme has implied the completely different approach. The MI scheme represented above all the instrument of social safety net aimed to prevent poverty, social unrest and to enable peaceful transition to market economy. This approach did not pay much attention to the activation objectives while it was rather concerned with the protective function of the scheme. However, during the period 1998-2008 the original generosity of the MI scheme (as it was designed at the beginning of nineties and still to some degree persisted in 1998) has been eroded by deliberate delays in revaluation of the living minimum. Beside, the preparation of the more systematic reform has been initiated since early 2000s. The reforms undertaken by government led by Social Democrats from 2004-06 have established the EU common standards, on the other hand de facto they restricted access to social assistance while increasing conditionality and repressive sanctions. The reforms from 2004-06 have also introduced some elements of the human resources development approach (more emphasis on active support in vocational training and job search) and restitutive sanctions like positive financial incentives. However, other reforms have followed soon during 2007-08, implemented by centre-right government which explicitly rely on a simple version of the labour market attachment approach with strong workfare elements. What is interesting in this Czech trajectory of the reforms is their speed during 2004-08 and rapidly increasing role of the repressive sanctions and fast consolidation of the LMA model. The political factors like partisan politics of welfare state reform help us to explain this development similarly as low legitimacy of the entitlements of the target group.

Currently, we do not evidence any new reforms of the scheme during the times of economic crisis. Nevertheless, strong elements of workfare and restrictions of the generosity

have emerged from the changes adopted by Parliament in September 2008 which have been put in practice during 2009 in fact in parallel with the economic crisis. There is no evidence available until now about the impacts of the restricted access and generosity; however, in conditions of increased unemployment and cuts in benefits, the impacts on poverty in terms of headcount and poverty gap and deterioration of the living standards of the poor are envisaged.

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<sup>1</sup> Zákon o životním minimu (Act No 463/1991 Coll.).

<sup>2</sup> Zákon ČNR o sociální potřebnosti (Act No 482/1991 Coll.).

<sup>3</sup> The objective to halt misuse of the benefits and activation has been formulated even in the first stage of the reforms.

<sup>4</sup> First, the system covers now not only the permanent residents in the Czech Republic but also the EU citizens with registered residence in the Czech Republic for at least 3 months and their family members, beneficiaries of refugee or subsidiary protection status. Extraordinary Immediate Assistance can be provided also to persons residing illegally.

<sup>5</sup> This means that the amount of the living minimum for basic personal needs of a single person has been increased by 30 %, the amount provided for the first adult person in a household has been increased by 20 %, the amount for a second and other adults has been increased by 8 % while the amounts for children has been decreased by 9-12 % depending on their age.

<sup>6</sup> This means that within the system of state social support the housing benefit is first considered: it is examined whether the costs of housing are higher than 30 % (35 % in Prague) of the incomes of the household. If this is the case then the difference between 30/35 % of income and so called 'normative housing costs' (costs considered as legitimate, i.e. based on the real living costs in the locality) is repaid in form of housing benefit. Only after applying this benefit within the system of state social support the entitlement within the system of social assistance/material need/MI scheme is assessed, and provided in the amount up to the level of the real housing costs which are recognized by Social Departments of municipalities as reasonable in the respective locality in order that the living minimum would be guaranteed for the needs of the individual household members.

<sup>7</sup> Beside, it is possible to cover the real housing costs even in higher level in cases considered as cases which deserve 'special respect' – typically in cases when households use other than standard rented housing (like temporary dormitories where the prices might be extremely high).

<sup>8</sup> Act No 261/2007 Coll. on Stabilization of Public Budget.

<sup>9</sup> Act No 382/2008 Coll.

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<sup>10</sup> The Ministry of Labour and Social Affairs has cancelled the statistical tool for the monitoring of the recipients in 2007 while the electronic database of the recipients which has been unified recently is not well organized for the analytical purposes.

<sup>11</sup> On the other hand no substantial changes were adopted in the field of disability benefits or other benefits, except early pensions: already in 2001 the early exit was more strictly penalized since during late nineties (with increasing legal retirement age and in conditions of increasing unemployment) the number of early pensioners increased significantly.

<sup>12</sup> Act No 382/2008 Coll.

<sup>13</sup> It is estimated that 2-3 % (200-300 thousand) of population in the Czech Republic are Roma.

<sup>14</sup> *“If we cut back on benefits, the question of who has a greater or lesser right to financial support from society will become more important. Would you like to tell to what degree each group, on a scale from 1 (no right at all) to 10 (absolutely the most right), should have a right to financial support from society?”*

Data : survey ‘Legitimacy of the Czech welfare state’ 1998, Masaryk University (quota representative sampling, 1,351 respondents) and survey ‘Social Cohesion and Social Inclusion’2007, Masaryk University (random representative sampling, 1,350 respondents).

<sup>15</sup> Social spending in the Czech Republic is 19-20 % while the EU average is about 26 % (although in future the pension expenditure represent serious problem).

<sup>16</sup> These changes have been implemented by the Act on Stabilization of Public Budgets (no 261/2007 Coll.).