



European Employment Observatory

EEO Review: Youth Employment Measures, 2010

Czech Republic

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This article is the sole responsibility of the author(s).

Abbreviations used (Czech language version in brackets)

Active Labour Market Policies

Czech-Moravian Guarantee and Development Bank

CR (ČR) Czech Republic

CSO (ČSÚ) Czech Statistical Office

CSSA (ČSSZ) Czech Social Security Agency

DLO District Labour Offices

LLL Life Long Learning

LFS (VŠPS) Labour Force Survey

MoL Ministry of Labour and Social Affairs

MoS Ministry of Schooling

NEET Not engaged in Employment, Education, Training

OP Operational Programme

PES Public Employment Services

1. Introduction

The Czech Republic was somewhat slow to react to the aftermath of the financial crisis and implemented relatively few anti-crisis measures, which is perhaps related in part to the lack of a strong political mandate of the caretaker government that ran the country after the early demise of the government of Prime Minister Topolánek. The parliamentary election campaign then lasted from spring 2009 until mid 2010 and the policy agenda of the new government of Prime Minister Necas, which has been formed only recently, is dominated by austerity measures. Hence, overall, there were few measures taken to promote Czech youth employment since 2008 (during the reporting period).

Trends

The Czech youth situation is characterised by an exceptionally low share of early school leavers and a very high proportion of school cohorts attaining upper-secondary education. As such the activity and employment indicators for 15-19 years old are not very relevant indicators and in addition, those based on the survey data are usually not statistically reliable. Overall, the unemployment rate among youth is higher than that of the whole population. However, this is a natural feature stemming from specific job search and matching processes faced by school graduates without work experience and past labour market credentials. As in many other countries, educational attainment of the Czech youth is strongly negatively correlated with the incidence of unemployment. The economic crisis had a notably adverse impact on the job finding rate of new school graduates in 2009 and 2010 irrespective of educational attainment. While the situation worsened a lot during the crisis, the situation seems to have stabilised now and compared to the EU wide situation Czech youth are still getting on relatively well.

The gap between the overall and youth unemployment rates is relatively low in the Czech Republic compared to most EU countries. The crisis affected young lower-secondary-educated men, i.e. those educated 'for' manufacturing, the most. The labour market trends we present here are mainly based on LFS (Labour Force Survey) data. It should be stated at the beginning that the size of the youngest age group considered, i.e., 15 to 19 years old, is rather small such that the sample-based statistics on employment and unemployment by education, especially for those with ISCED<3 do not have sufficient statistical significance.¹

LFS employment and unemployment

During 2008-2010, the Czech youth employment rate dropped substantially in all age groups, with the largest drop experienced by the age group 20-24 year olds. However, these developments reflect in part the final stage of the expansion of the tertiary education system. During the same period, the Czech youth unemployment rate doubled. As of the 1st quarter of 2010, the unemployment rate for 15-19 year olds stood at 31.6 % (but this represents very small demographic group since most individuals of this age are still in school), and the rate for 20-24 and 25-29 year olds was 16.9% and 10.9 % respectively, and close to the respective EU average

¹ There are only about 130 000 individuals in the age group 15-24 with primary or lower secondary education. Less than 125 000 Czechs aged 15 to 29 are unemployed.

in 2008. It should be noted that the incidence of unemployment increased similarly for low skilled (ISCED 0-2) and medium skilled (ISCED 3-4) youths, with the highest increase experienced by apprentices (ISCED 3). In other words, while the increase in unemployment rates has been faster for the skilled,² the unemployment rate levels are now very high for the low skilled, reaching 43 % in the (small) labour force group aged 15-19. The youth unemployed to population ratio almost doubled indicating that the youth labour force was affected more severely. The incidence of long-term unemployment among youth changed little and remains at relatively low levels mainly because the majority of school graduates entered the labour market less than a year ago.

Registered unemployment

During 2009 the share of youth in the pool of registered unemployed people increased little, from 17 % to 18 %. The highest registered unemployment rate is that of the under 26 years old group: 22 % at the end of 2009, which is more than twice the overall registered unemployment rate. Furthermore, the unemployed-vacancy ratio for youth increased almost five times between the end of 2008 and 2009, from 2 to 9. A recent study (NÚOV 2010a)³ describes the evolution of registered unemployment of recent school graduates (i.e. up to two years after graduation) by level and field of their education up until summer 2010. The study confirms that apprentices were faring the worst during the crisis and predicts that despite the recent growth revival, the unemployment rate of recent school leavers is unlikely to fall during autumn 2010 when the overall unemployment rate is expected to continue declining. The most recent special report (NÚOV 2010b) based on information from the end of September 2010 documented skyrocketing growth of unemployment among school graduates (the seasonal September peaks in 2008, 2009, 2010 were 29 000, 38 000, and 40 000 unemployed respectively) during the years of the crisis. This is an outcome of the notably higher inflow of new school graduates into unemployment during last two years, and their notably slower rate of outflow from unemployment (see the time series in NÚOV 2010b on page 11). The report concludes that the situation is not deteriorating further and seems to be stabilising, while the outlook is dependent on the overall economic situation, which will be strongly determined by the growth of the German economy.

NEET rate

The share of Czech 18-24 year olds with at most lower secondary education and not in further education or training remains low and stable (5.7 % in 2002, 5.4 % in 2009).⁴ The NEET rate is very low for 15-19 year olds since all except a few pupils of this age group are still in some type of upper-secondary education and the proportion of early school leavers remains stable at very low levels of 5.5 %.⁵

² The 15-24 unemployment rate almost doubled for skilled jobseekers and increased by half for unskilled jobseekers.

³ http://www.nuov.cz/uploads/Vzdelavani_a_TP/NZabs_duben2010_pro_www.pdf

⁴ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsisc060>

⁵ In the Czech Republic, the incidence of early school leaving is similar for both genders. Our intuition is that Roma children are overrepresented among early school leavers. Annual drop-out rates from upper-secondary education range between 2 % in the case of academic programmes (Gymnasia) to 15 % in the case of apprenticeship programmes. While early school leaving does not seem to be a problem in the Czech Republic, there is a worrisome

2. Measures taken to promote youth employment

2.1 School education and training policies

There were no crisis-motivated explicitly youth-focused education policies introduced during the reporting time frame and a Youth Guarantee has not been considered.⁶ It may be that such policies are not considered important given the high upper secondary attainment rates of Czech youth⁷ and the low incidence of school drop-outs. However, these strong enrolment rates might mask an unhealthy content or education structure in some parts of the system. Specifically, less than a quarter of each cohort enters academic secondary programmes ('Gymnasia'), compared to almost a half in the majority of OECD countries. It is therefore particularly important to measure the quality and labour market 'match' of apprenticeships and vocational secondary education. Today, about 65 % of 19 year olds graduate from a secondary programme with the school-leaving Maturita exam (*Abitur*-like exam) and about 40 % of 19 years old enrol on tertiary programmes, where completion rates are relatively low. The new Government decided in summer 2010 that a state-run written Maturita exam taken by all 12th graders at the end of upper-secondary school will be introduced nation-wide in spring 2011. This decision follows years of deliberation on the topic. It should be noted that a great deal of graduates subject to the Maturita exam continue on to tertiary education. On the other hand, by far the highest incidence of unemployment exists among graduates from upper-secondary programmes not concluded by the Maturita exam (about 40 % of the school cohort graduating from professional schools and apprenticeship programmes). However, an alternative state examination for graduates from those school types is still in the development stage (by NÚOV). It has been recognised by the new Minister of schooling that the nation-wide standardised State Maturita Exam will not be a sufficient tool to gather information to identify and deal with the weaknesses of the system of regional schooling (from the primary to upper-secondary level). Therefore, MoS also started preparing the agenda to define standards of educational achievements for key stages of education at primary school (most likely fifth and ninth grade) and corresponding nation-wide testing of those standards.

Given the strong enrolment rates, it is important to focus on the situation of disadvantaged young people. In December 2009, the Government approved its Strategy of Roma Inclusion for 2010-2013, which contained the proposal to make the provision of family welfare benefits conditional on school attendance of children in order to increase attainment and decrease the share of Roma pupils who are sent from public elementary schools to so-called special schools, which are in fact meant for pupils with learning difficulties. It remains to be seen whether effective policies are implemented based on the Strategy.

declining trend in the average literacy level of primary school children as reported in a recent study by McKinsey on primary and secondary education in the Czech Republic: *Declining performance of Czech elementary and secondary school system: facts and solutions*. The report documents declining trends based on recent PISA and TIMSS surveys. Moreover, the literacy of 15 year old Czechs when they leave primary school is very heterogeneous.

⁶ The ongoing policy agenda of certification of LLL degrees (see the regular SYSDM reports) is of course relevant, but it targets older workers and was introduced long before the crisis hit.

⁷ Attainment rates were traditionally high and the current demographic decline (of about one fifth) in the relevant cohorts increased secondary enrollment rates further.

2.2 Labour market and employment-related policies and access to benefits

ALMP

Czech ALMP expenditure is very small in international comparison. Furthermore, given the explicit priority of ALMP for unemployed youth, it is surprising that recently only 5 % of ALMP-supported registered unemployed were below 20 years of age. Hence, the extent of ALMP for youth is likely to be underwhelming. Of the traditional ALMP programmes,⁸ youth participate mainly in retraining, where; however, the two largest age groups are 30-34 and 35-39 year olds. In fact, there is little effective central management of the share of ALMP funding targeted towards disadvantaged or at-risk groups and even less information about the effectiveness of these programmes or about the incentives for ALMP administrators to actually increase the share of disadvantaged participants. ALMP provision is fragmented given that it is often funded on a local project basis by the European Social Fund (until 2013). The last official summary report on regional targeted employment policies is from 2006.⁹ As a typical example of newly introduced ALMP programmes, consider the ESF-funded project introduced in 2009 to fight the rising youth unemployment in the region of Ústí nad Labem.¹⁰ The goal of the project is to help low-skilled youth establish work habits and to find suitable employment for about 1 300 youth. The programme provides subsidies to employers who employ a recent school graduate and it also offers language and IT courses and other types of retraining. Currently, the MoL is guiding DLOs to re-introduce¹¹ a job subsidy programme for youth. The project should provide internships for people up to 29 years of age who are registered with the Labour Offices for more than 5 months and do not have any professional experience. The selection of interns should be done by individual labour offices from among interested (self-motivated) unemployed youth. The funding for this project will be secured within the existing ALMP budget for so called Socially Purposeful Jobs – a form of labour costs subsidy to employers. The duration of individual work contract subsidisation under this programme will be up to 12 months and should mainly target private employers. The programme should involve 5 000 currently unemployed participants. As usual, there does not seem to be a proper impact evaluation framework designed for this programme so that ex-post there will be no reliable information on the actual impact of this programme. Given that inclusion into the programme will depend on the expressed interest to participate of the unemployed, the comparison of outcomes between participants and non-participants will exaggerate the actual impact of the programme.

Even before the crisis, all registered unemployed people under 25 years of age had to get an Individual Action Plan (IAP). However, given cuts or insufficient increases in the staffing of

⁸Traditional ALMPs include Publicly Useful Jobs, i.e., municipality organised public works; Socially Purposeful Jobs, i.e., DLO-funded subsidies for employers hiring unemployed people; and retraining.

⁹http://portal.mpsv.cz/sz/politikazamest/programy_zamest/regionalni

¹⁰<http://www.mpsv.cz/cs/9361>

¹¹This type of programme was used already by some district labour offices during 2005-2006 and can be therefore implemented within the existing legislation. The programme outline by the DLO in the Melník district for 2005-2006 is available online at:

http://portal.mpsv.cz/sz/politikazamest/programy_zamest/regionalni/regionalni05/praxe_pro_mlade

District Labour Offices, IAPs are often applied only formally without much hope for any activation effect.

No new national measures that we are aware of were implemented to foster links between education and work. Among the regular preventive policies of the DLOs is advice provided to students choosing their secondary vocational course (implicitly their occupation) according to labour market needs. Little summary information exists on the implementation and effect of these services.

Access to unemployment and social security benefits

According to the Employment Code,¹² a recent school graduate is entitled to unemployment insurance only if they had worked for at least 12 months during the last three years. Unemployed recent school graduates have, however, access to most social benefits given their low income, with the exception of sickness insurance, which is again conditional on sufficient previous employment history. Of the amendments to the Employment Code that were approved before the crisis and came into effect in January 2009, two affect youth: (i) increased attention of the DLOs is to be directed towards unemployed under the age of 21 (previously the threshold was 25); (ii) years spent in formal education are no longer counted towards state-provided pensions.¹³

Tax systems and labour market legislation

There are no new job-creation or hiring incentives specifically targeted at youth. The reduction in social security contributions introduced for 2009 (and described in our regular SYSDÉM reports) provided temporary support to all jobs within a given pay band. The Czech tax system may be unduly increasing the labour costs of low earners (i.e., often young school graduates) since it combines a low effective income tax rate with high social security contributions paid by employees and in particular those paid by employers. It is more difficult to introduce progressivity into the social security contribution formula than into the income tax formula.

No specific programme aimed at enhancing self-employment and entrepreneurship among young workers was introduced. The Government did approve a strategy to enhance numeracy across the population (including youth) and also plans to introduce extended unemployment benefits for those unemployed who become entrepreneurs. We are rather sceptical that such a programme can be designed in a way to minimise the scope for misuse.

Measures promoting territorial labour mobility of youth

A commuting subsidy available to all employees (in large companies) was cancelled in 2009 and no new measures have been taken to promote mobility of young workers. It should be noted that the last available census comes from 2001 so there is little recent information on residential mobility and commuting patterns available by age groups. It seems that the trend of an increasing concentration of university educated (younger) workers in major cities continues.

¹² http://portal.mpsv.cz/sz/local/fm_info/fm_pro_obcany/absolventi

¹³ Amendments to the Employment Code as of January 2009, described in the regular SYSDÉM reports, aimed at 'making work pay' and at supporting activation. However, these were mostly aimed at all workers, not just young people.

The nostrification process that is available for recognising university diplomas of foreign workers is sometimes cumbersome. Degrees from the EU are recognised automatically. In the case of non-EU countries, one needs to apply for nostrification at a local university using a Czech official translation of the foreign diploma verified by a public notary. Those wishing to get their secondary qualifications recognised apply to regional governments (their education departments), which compare the foreign length of studies (credits, teaching hours) to local standards. It is not clear that the same set of rules is applied by different regional offices. No changes in these procedures have been implemented within the anti-crisis response, and the new Educational Programme Frames (curriculum reform) of secondary schools (RVP) has not yet been taken into account in this procedure.

2.3 Addressing problematic features of youth employment

In the Czech Republic, part-time and temporary contracts remained relatively rare despite the crisis (see Section 1). The current Government plans to extend the possibility to repeatedly renew fixed-term contracts. No reliable survey exists on the level and type of undeclared work undertaken by young people.

Other than various governmental strategies being accepted and publicised, few actual measures have been taken in the country to minimise the problematic features of youth unemployment. Certainly no such youth-specific changes were introduced during times of economic stability.

The problem with assessing the extent to which youth unemployment in the Czech Republic is characterised by young people from marginalised groups is that available data from the PES is disaggregated by age or by education, but not by both. Few detailed statistics are available on unemployed youth with only primary education and, most importantly, there is no reporting (or survey evidence) on the unemployment level of Roma youth. The last available World-Bank survey evidence from segregated neighbourhoods (discussed in detail in the regular SYSDM reports) suggests that the educational attainment of young Roma falls behind that of their parents and this must affect their employment chances.

2.4 Roles of the labour market actors

No co-ordinated policy approach to tackle youth employment problems at the time of the crisis has been adopted at national or regional level. Independent of the crisis, the implementation of some relevant measures has continued. A case in point is the implementation of the Educational Programme Frames (the curricular reform of lower secondary schooling). New national vocational education standards have also been developed (as they would have been even in the absence of the crisis).

There were no measures introduced thus far to ensure that decision-making would respond more rapidly to new needs. The labour market consequences of the crisis were delayed in the Czech lands relative to their onset in the EU-15 labour markets and signs of recovery became visible as early as the beginning of 2010. The country was without a regular political government for most of the relevant period and without strong leadership the ‘reaction time’ of public administration tends to be substantially slower than the speed of the business cycle. Deepening public deficits limited the available policy action space as well.

However, employers have been at least somewhat involved in designing employment schemes within the two key anti-crisis OP-funded programmes for workers of all age groups, namely the 'Educate Yourself!' and 'Education is a chance' programmes launched in the first half of 2009 and in full swing today. These programmes aim to safeguard the jobs of currently employed workers by providing wage and training subsidies and the employer proposes the individual actions to be supported. As with the other programmes discussed here, no impact assessment studies are available, only participation/use statistics. We can only surmise that these measures primarily helped older workers to maintain their employment and were possibly less helpful to unemployed youth. A more thorough evaluation of both projects is expected in the second half of 2010 or the first half of 2011.

There is much scope for improving the role of the PES in the transition from education to work. At the end of 2009, there were almost 200 000 more registered job seekers compared to the end of 2007. At the same time, the mandatory tasks of DLOs has grown significantly per client (per registered unemployed person) as, since 2008, DLOs must produce an IAP for all unemployed under 25 years of age and all jobseekers who have been unemployed for more than five months. This dramatic increase in the responsibilities of DLOs was not matched by an increase in manpower. In fact, the DLOs were under the same general pressure to reduce the overall number of public administration staff. It is therefore currently not clear that the allocation of resources and the staffing of DLOs react efficiently to the changing need for placement support. Furthermore, the existing dramatic regional differences in both the number of registered unemployed and the number of unemployed per vacancy¹⁴ suggest DLO manpower ought to flexibly match those service provision needs. However, the available information (several years outdated now) suggests that there are dramatic gaps in the number of clients that each DLO employee can support and that these do not align well with the vacancy/unemployment ratios either. It is very difficult to find up-to-date information on specific DLO employment and/or on the average time per client available across the DLOs. This lack of key indicators of PES performance is alarming given that anecdotal evidence suggests that, for example, many of the IAPs are only formal. In an encouraging response to this situation, the Minister of Labour and Social Affairs Jaromír Drábek announced in July 2010 a major change in the organisation of DLOs, which are currently separately managed independent legal units, but which are soon to be merged into one centrally managed organisation. The Minister argues that this should allow for better reaction to local employment service needs. Exactly how the change will work is not yet clear.

If the centralisation of DLOs allows for more flexibility across areas, that would be most welcome. Furthermore, there are early signs that the new Minister also plans to come back to the 2007 proposal of the previous Minister of Labour and Social Affairs Nečas (the current Prime Minister) to unify the agenda of DLOs with that of the Social Service offices of the municipalities (which provide social benefits to people in material need among other services).

¹⁴ District (NUTS4-area) unemployment rates at the end of 2009 ranged from 2.7 in Prague-East to 16.9 in Jeseník, the number of unemployed people supported by a given DLO ranged from 2 000 in Prachatice to 21 000 in Karviná (excluding the Prague DLO) and the number of unemployed per vacancy ranged from 90 in Prostějov to 6 in Plzeň-city or Pardubice (and 3 in Prague).

Unification of the fragmented agendas would (a) greatly increase the amount of time available per client, (b) may allow for more profiling and better evaluation of services and hence lead to a more efficient activation of the unemployed, (c) it may help prevent the unemployed ‘leaking’ from one part of the social safety net to another, and (iv) it may provide better statistics than now mapping the coincidence of unemployment and social problems. However, in 2007, the original plan was blocked by regional governments, which were not ready to give up their jurisdiction over social support. Furthermore, one ought to analyse whether the incentives of municipality social offices, which allocate restricted municipality budgets, are different from those of DLO employees who allocate central state funds.

3. Conclusions

The crisis disproportionately affected youth employment, but perhaps not as much as in other countries. Recent graduates of apprenticeship programmes were hit the most. Few specific new measures were implemented given the late onset of the crisis in the Czech Republic, the lack of a strong political government and the high and rising school enrolment rates of Czech youth. The crisis also shone light on the lack of effective information and management tools for dealing with problematic features of youth unemployment and for improving the situation of young people from disadvantaged backgrounds. In particular, introducing regular evaluations of the efficiency of ALMP programmes and improving the flexibility and efficiency of resource allocation within PES ought to lead to major improvements.

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Annex

Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)									
Data	Age group 15-19			Age group 20-24			Age group 25-29		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Employment rate (%)	4.9	4.9	3.9	47.7	46.6	41.8	75.6	73.1	70.8
Unemployment rate (%)	26.9	29.0	43.0	8.1	11.1	16.9	4.4	7.1	10.9
Long-term unemployment as a % of unemployed	(27.0)	(25.5)	31.6	33.0	23.6	28.9	37.5	27.7	29.7
Youth unemployment to population ratio	1.8	2.0	3.0	4.2	5.8	8.5	3.5	5.6	8.7

Source: Eurostat, Labour Force Survey

- : Data not available

Data in brackets not reliable due to small sample size.

Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data)						
Data	Age group 15-24		Age group 20-24		Age group 25-29	
	2009	2010	2009	2010	2009	2010
Unemployment for the low-skilled (ISCED 0-2)	38.6	43.7	37.7	37.6	29.4	43.4
Unemployment for the medium-skilled (ISCED 3-4)	10.1	16.7	9.2	15.0	6.7	9.8
Unemployment for the high skilled (ISCED 5-6)	0.0	0.0	8.4	15.0	3.6	7.6

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)			
Data	Age group 15-19	Age group 20-24	Age group 25-29
	2009	2009	2009
Temporary work as a % of employment	39.2	15.1	7.4

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)		
Data	Age group 15-19	Age group 20-24
	2008	2008
NEET rate (% of the age group) (annual averages)	2.6	10.4

Source: Eurostat, EU Labour Force Survey, Annual averages

Table 5: EARLY SCHOOL LEAVERS* (Annual data)		
Data	Age group 18-24	
	2008	2009
Early school leavers (% of the age group)	5.6	5.4

Source: Eurostat, Labour Force Survey

* Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007		
Data	Age group 15-19	Age group 15-24
Difference in youth unemployment rate between Q4-2009 and Q4-2007	17.2	10.4

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted