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**Investing in children:**  
Breaking the cycle of disadvantage

*A Study of National Policies*

**Czech Republic**

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# Investing in children:

Breaking the cycle of disadvantage

**A Study of National Policies**

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**COUNTRY REPORT – CZECH REPUBLIC**

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## Executive Summary<sup>1</sup>

An *integrated multi-dimensional strategy* of investing in children and breaking the cycle of disadvantage does not exist in the Czech Republic. The strategy of social inclusion, as it is outlined in several policy documents, represents an attempt to establish an integrated multi-dimensional social inclusion strategy where investing in children is to some extent involved. Implementation of these documents, however, is often only partial and slow. The current policy objectives prioritise balancing public finances. Commitment by government to social investment has been minimal in the period 2007-2013.

*Mainstreaming of children's policies and rights* is a weakness. This is due to horizontal and vertical fragmentation of policies. Consequently, although there is a sufficiently wide range of the stakeholders involved in public administration, at several levels, and in other sectors covering related policies, their synergy is weak. An important role is played by non-governmental organisations which deliver social services in several fields. Their activities are effectively supported through programmes of the ESF. The knowledge/expertise available is not used systematically in the policy-making process: political goals seem to provide more significant guidance for policy-making than an evidence-based approach. The lack of mainstreaming of policies aiming at children might possibly be addressed by enforcing the use of social impact assessments in policy-making, with investment in children as a reference point: the EC might encourage such an approach with the help of the Europe 2020 strategy.

The challenges the country is facing concerning participation in the labour market are the low employment rates of women with small children and the high (long-term) unemployment rates of the marginal workforce, like the unskilled, young, disabled or the Roma. The strengths of Czech policies may be seen in sufficient economic incentives to work, including a flexible parental leave scheme. Some of the incentives have however weakened. Unfortunately, the activation bonuses for participation in public service were cancelled and the minimum wage only increased negligibly after 7 years in 2013. There are several weaknesses: basically, there is a low effort to develop active labour market policies, especially with respect to the groups most distant from the labour market (although a positive turn has possibly been occurring since March 2013). Insufficient staffing of employment offices does not allow for effective case work, individual support and counselling of job-seekers, although several recent measures aim at improving the situation. Pre-school facilities are insufficient and the gap is widening. Child care capacity for children up to 3 years is the worst problem. Recently adopted measures (company kindergartens, child groups) will bring only marginal relief. Life-long learning lacks an adequate legislative framework and the necessary financial tools so that progress is slow.

Concerning access to sufficient resources, the relatively good data on the risk of child poverty (and social exclusion) is accompanied by a tendency towards a persistence of poverty for certain disadvantaged groups. In particular, the multiple deprivation problems of Roma children living in excluded localities are the most urgent problem. Entries and exits from poverty are low – indicating a downward spiral for those excluded and a risk of polarisation between them and the rest of society.

Nevertheless, the Czech Republic has succeeded in developing a social protection system that is both effective in alleviating poverty risks and very efficient at the same time: the general poverty risk is among the lowest in the EU while social protection expenditure also figures among the lowest. In spite of the recent cuts in public

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<sup>1</sup> Readers should note that the drafting of this report was completed in September 2013 thus it does not include an analysis of data or policy developments that became available after this date.

expenditure, the basic features of the system did not change too much. No single measure has brought any remarkable deterioration in children's access to adequate resources. Nevertheless, some segments of the population like single parent families, families with 3 and more children and unemployed households are at much greater risk. The issues of adequacy of minimum income support and of non-take-up of means-tested benefits are neglected by policy-makers (even if a negligible revaluation of the subsistence minimum took place during 2007-2013, it was considerably less than the increase in consumer prices). There were cuts in the child benefit package (the social allowance was cancelled and the birth allowance reduced), while increases in VAT and rent deregulation have negatively affected low income households.

Concerning access to social services – as they are understood in the guidelines to the report – among the key policy challenges identified are the exclusion of many Roma children from mainstream education, the lack of early childhood education and care in the excluded Roma localities, combined with other multiple disadvantages for the Roma and their children such as inadequate access to healthcare and housing.

A strength in the social services policy area is the existence of a range of strategic documents which address the problems of poverty and social exclusion: this is the case for inclusive education, housing policy, prevention and solution of homelessness, a strategy to combat social exclusion in the excluded Roma localities and others. The ESF resources/projects are often well linked to the priorities outlined in these strategic documents. The implementation deficits when it comes to the realisation of the above-mentioned strategies represent a weakness and can be attributed to a lack of social investments into this area. As a result of out-of-pocket fees implemented in 2008 and further increases in 2012, accessibility of health care may have become a problem for disadvantaged children. Support to flats intended for social housing has dropped to 20% of the original level since 2006. The new Housing Strategy has redefined social housing in a very narrow way – like housing distress/emergency. Two other most urgent areas are, first, inclusive education, which would need thorough and fast implementation of the individual plans for pupils with specific educational needs, backed by adequate staffing (i.e. teachers, pedagogical assistants). Second, social housing needs a proper legislative frame and a much higher level of investment.

Child poverty and social exclusion are not included among the key policy reforms in the Czech response to the Europe 2020 Strategy as a part of the European Semester. Nevertheless, some of the policy challenges are addressed to children to some extent. In the National Reform Programme attention is paid to the 'threatened children' (i.e. children who suffer lack of family care) and the creation of a new system of foster care is planned. The 2013 NRP also puts more emphasis on the inclusion of socially disadvantaged children into mainstream education. At the same time, in spite of a higher risk of poverty and exclusion for children when compared to the adult population, no specific targets to alleviate poverty and social exclusion for children are suggested in the NRP or in other policy documents.

For a better integration of the policies to alleviate child poverty and social exclusion into the European Semester, one would first need to establish a child poverty target. Second, the country-specific recommendations (CSRs) concerning child care should be more adequately addressed. Lastly, there should be an obligation to adopt evidence-based policy reform measures that can impact on child poverty and exclusion, for example through the introduction of 'reference budgets' or by improving access to specified services.

The EU funds represent a crucial financial contribution to measures supporting social inclusion: without them, some of the most important policy areas such as active labour market policies, integration policies in Roma excluded localities, inclusive education, regeneration of the problem dwellings, several areas of social services

would starve. Nevertheless, the allocation of ESF resources is not well balanced. Social inclusion is not among the main priorities and the resources allocated are modest. Another problem is that the strategy adopted by government deliberately tries to substitute (and outplace) the national resources in many areas by ESF resources. This is problematic because ESF resources cannot easily fill in the gaps in national investments in several policy areas such as staffing the education sector or building new social housing. It is recommended that ESF resources available for social inclusion are increased.

Monitoring and assessment of ESF usage requires more flexibility and should focus more on recording the evidence of the results achieved. There have been no specific indicators agreed to for monitoring the use of ESF with respect to child poverty and social exclusion.

## 1. Assessment of overall approach and governance<sup>2</sup>

It is hardly possible to recognise an *integrated multi-dimensional strategy* of investing in children and breaking the cycle of disadvantage in the Czech Republic. First, this issue does not represent one of the accentuated policy objectives. Rather the strategy which prioritises the balancing of public finance is leading to diminished commitment by government for social investment in general, including investment in children.

Secondly, public policies in a number of public policy areas in the Czech Republic are characterised by strong departmentalism, i.e. generally weak horizontal (and even vertical) interconnections in policy making: the *synergy between policy areas and players* is weak.

The strategy of social inclusion as it is outlined in several policy documents represents, however, the attempt to establish an integrated multi-dimensional social inclusion strategy where investing in children is to some extent involved. *The Strategy to Combat Social Exclusion 2011-2015* has been adopted, aiming among other things to break the cycle of disadvantage of children in the excluded Roma localities. There are other existing documents that include elements of investing in children like *Concept of Housing Policy up to 2020*, *Plan on Inclusive Education* and *The Strategy of Life-long Learning*; others are being elaborated: *The Strategy of Social Inclusion 2014-2020*, *Concept of Employment Policy 2014-2020* and *Concept for Prevention and Solving the Problem of Homelessness up to 2020*. The implementation of these documents, however, is often only partial and slow.

The government has established several bodies at the central level that are responsible for the coordination of the specific strategies which address the issues of social exclusion/inclusion. One of them is the inter-ministry commission responsible for the preparation of the National Reform Programme (NRP); the other one is the Commission for Social Inclusion (CSI), established by the Ministry of Labour and Social Affairs, where several other ministries cooperate, as well as social partners, the non-governmental sector, local actors and academics. The Agency for Social Inclusion (ASI) is responsible for the coordination of the strategy of social inclusion in the excluded Roma localities. Most of these bodies, however, are not endowed with decision-making competences and their influence is minor, except for the Agency for Social Inclusion, which is able to intervene thanks to its membership in decision-making committees on the priorities and implementation of measures financed by the European Social Fund.

At the central level there is no single ministry body established which coordinates policies focused on family and children. The Ministry of Labour and Social Affairs is responsible for most of the relevant policy fields like family-related benefits, social assistance in cash and in kind, and emergency measures including social and legal protection of children, youth and families and employment policies. The Ministry of Education, Youth and Sports (MEYS) is responsible for education, including pre-school education and inclusive education. Municipalities are responsible as founders of child care facilities for children of pre-school age. Regional and local governments regulate and deliver social services of different kinds: for this purpose the legislation obliges regional governments to formulate the Regional Plans on the development of Social Services (furthermore, many municipalities also develop such plans of their own accord). Several regional governments also formulate their own strategies/plans on social inclusion.

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*Mainstreaming of children's policies and rights* represents rather a weakness which is due to the horizontal and vertical fragmentation of the policies concerning children and particularly the lack of specific policies which would address some difficult problems of children exposed to multiple disadvantages. The Czech Republic faces problems with, for example, the exclusion of Roma children from mainstream education and with placing children into substitute institutional care (when taking them from their families for purely economic reasons). These practices were addressed both by the Court for Human Rights (and subject to some court rulings and general criticism) and by the Czech Defender of Human Rights. Although there are aims to improve the existing practice, the problems have not been solved yet.

*Good balance between universal and targeted policies* has been achieved only in some specific areas and only partially. There is a trend towards the gradual deterioration of this balance due to the following: decreasing capacity of services – by law these are universal but in reality not available for all the needy (e.g. child care, inclusive, tailored employment services and measures); lack of specific services or other support to children facing multiple disadvantages; a decreasing level of both universal and targeted benefits; increasing selectivity and targeting of benefits. Traditionally the balance was sufficient and effective in achieving a relatively low level of child poverty and social exclusion, despite the relatively low level of social expenditure in the Czech Republic. This was to some extent due to the effective combination of social insurance benefits, universal family-related benefits (like parental allowance, birth allowance), income-tested (child allowance) and means-tested benefits (social assistance benefits). Well accessible health care services and (until recently) child care for children 3-6 contributed to this achievement as well. The negative impacts of decreasing investment in children may possibly affect this balance in future.

*Involvement of relevant stakeholders and an effort to support the involvement of children.* As described in the paragraph above, in the Czech Republic there is a sufficient range of stakeholders involved in public administration at several levels and in several sectors, the problem being rather their lack of synergy and commitment to recognise investment in children as one of the key priorities. An important role is played by non-governmental organisations which deliver social services in several fields: child care, emergency services to children and families, field social work in families, substitute foster care, social and legal protection to children, employment programmes to parents in difficult life situations and so on. Their activities are effectively supported through ESF programmes. Public administration has been clever in recognising their potential and this is well reflected in the priorities of ESF programmes and individual calls for projects: these provide room for the initiatives of NGOs. Nevertheless, the role of the state as principal in the governance of investment in child strategy should be stronger, more explicit and transparent.

In general, there has been some progress regarding *evidence-based approaches* in policy making. The Ministry of Labour and Social Affairs regularly estimates the impacts of individual reform measures on the incomes and expenditure of households, with the real impacts being reported by the Czech Statistical Office. The Ministry regularly uses the analyses of poverty and social exclusion produced by the Czech Statistical Office and Eurostat. Similarly, specific topical analyses are conducted regularly, such as the evaluation of the contribution of the Agency for Social Inclusion in 2012 and, more recently, an evaluation of the situation in housing and homelessness as a basis for the *Concept of prevention and solving the problem of homelessness*. MLSA cooperates with the Research Institute of Labour and Social Affairs: one project is being conducted on the adequacy of the living minimum; another on the national set of indicators of social inclusion. Several projects aiming to bring evidence useful for policy decisions were conducted under ESF project schemes. Specifically, monitoring of the problems in the excluded Roma communities is of great

concern for the responsible bodies, including the situation in inclusive education. A system of indicators and monitoring of the phenomena of 'social pathology' in these localities has been elaborated. Recently, a call was announced by MLSA on a project focused on the negative impacts of the implementation of ESF financed projects.

However, it is not certain to what extent the knowledge/expertise provided is used systematically in the policy-making process. Instead, the political goals seem to be a more significant guideline for policy-making. For example, it seems that *an evaluation of the impact of policies introduced in response to the crisis on children* was neither used in adopting specific objectives like the reduction of child poverty nor in implementing measures countervailing these impacts. However, we need to be aware that the influence of the evidence on policy-making is often indirect, complicated and/or a long-lasting process. For example, some knowledge is used by the Ministry of Labour and Social Affairs in newly elaborated programme documents like Strategy of Social Inclusion for 2014-2020, Priorities for ESF measures in OP Employment 2014-2020: the priorities seem to be well oriented according to an evidence-based approach. Similarly, there is some concern regarding the adequacy of the living minimum, which may lead to future policy decisions.

There is a certain contradiction concerning the strategy of *sustained investment in children and families and an effort to ensure that children are protected from the impact of the crisis*. On the one hand, investment in children and their protection against the impacts of the crisis are diminishing in mainstream policies like the benefit system and social services for families and children due to cuts in public budgets. On the other hand, there is an increasing effort visible in measures financed by ESF: education including inclusive education, life-long learning, social services, employment services and activation measures. The effort is intended to be 'corrective' of the general trend by 'filling the gaps' of the mainstream national policies. The question arises as to what extent these rather targeted and small scale projects can countervail the trend of under-investment in children in the long run.

*Suggestions:* the issue of *investment in children* should become one of the priority agendas in public policy-making. This is difficult to achieve because the key policy concerns are economic objectives with a short-term emphasis on cost containment/cutting expenditure in public budgets. Second, although some steps to implement more of the evidence-based policy-making are gradually being done, top decision-making is still more sensitive to the political concerns than to an evidence-based approach. This might be changed by the enforcement of the principle of social impact assessment in policy-making, which would emphasise investment in children as a reference point. The EC might encourage such an approach with the help of the Europe 2020 strategy.

## 2. Access to adequate resources

Since 2007 the Czech government focused primarily on stabilising public finance. This strategy primarily included reforms of the pension system, health care reforms and 'social reform', all aiming to cut public expenditure (social investments included). The other subordinated objective was to incentivise the unemployed and welfare benefit recipients to job-searching and working. The crisis has strengthened this strategy because during 2009 the public finance deficit has increased considerably. Nevertheless, the governments did not prefer (and faced political obstacles) implementing any radical reforms; thus several small and incremental changes have emerged.

### 2.1 Policies to support parent participation in the labour market, especially those distant from the labour market and in households at particular risk

The challenges the country is facing concerning participation in the labour market are the following: low employment rates of women with children 0-6 (high child employment gap which is about 42% according to Eurostat data; in the Czech Republic less than 10% of children below 3 years attend formal childcare while the employment rate of women 20-49 with children 0-6 is slightly more than 40% - only two countries in the EU exhibit worse figures: Slovakia and Hungary (see European Commission 2013); high unemployment rates of the low skilled (29.5%), young (15-24) (19.5%) compared to the 7.4% general unemployment rate<sup>3</sup>, not to mention the Roma and disabled, whose unemployment rates are even higher.<sup>4</sup> Long-term unemployment is relatively high (3.2%), especially among the young up to 29 (4.4%), and much higher in the above-mentioned vulnerable groups.

Policies supporting parent participation were mainly based on incentivising the unemployed to work; other measures like active labour market policies, life-long learning and child-care have been weak. In 2013 a more active approach was adopted in labour market policies.

#### 2.1.1 Policies ensuring that work 'pays' for parents

The reforms implemented in labour market policies, taxation system, social benefit system, including social assistance during 2008-2013, consistently aimed at making work pay, thereby "halting the misuse of benefits" and activating welfare recipients (see Government Declaration, Vláda 2007). The measures which ensure that work pays for the parents were relatively complex. Three circumstances helped in making work pay for parents:

- general trend in cutting nearly all kinds of social benefits and providing incentives to work in the tax system
- increased emphasis put on the conditionality of the benefits (workfare) and repressive sanctions
- specific incentives to work are built into the social assistance and unemployment benefit system.

Over time the first two trends have become more prominent than the third one.

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<sup>3</sup> Data by Labour Force Survey I Q 2013, Czech statistical office <http://www.czso.cz/csu/2013edicniplan.nsf/p/3101-13>.

<sup>4</sup> Own estimates by LFS data indicate unemployment rates of disabled above 30%, unemployment rates of Roma according to various sources are close to 50%.

To recapitulate the most important measures: since 2007 a strategy was adopted of shifting the tax burden from direct to indirect taxation and of eliminating tax progression in middle and higher income groups. In 2007 (in effect from 2008) progressive taxation was replaced with a single flat-rate income tax of 15% (calculated, however, using the gross wage plus employers' social security contributions). In order to ensure that the income of people with low earnings is not jeopardised and to ensure stronger work incentives for them, tax credits for the tax payer and his/her spouse and children were considerably increased.<sup>5</sup> In the case of children, the tax credit approximately doubled; in the case of the tax payer and his/her financially dependent spouse, the rise was even higher: more than three times and about six times more. Specifically, the tax credit for the tax payer increased from CZK 7,200 to 24,840. As calculated by Večerník (2009), this measure left a significant mark on low-income earners: about 16% of income-earning households were exempt from paying income tax in 2008.

The second stream of measures was targeted at the elimination of unemployment traps in social assistance. Originally the Act on Assistance in Material Need from 2006 included positive as well as negative incentives: the positive consisted of reduced counting of earnings into family incomes (by 70%) when assessing entitlements for social assistance benefits. The negative ones consisted of reducing the level of the living minimum of a person not complying with job-search requirements, to the level of merely the subsistence (existence) minimum, which is one-third lower. With the new government from 2007, additional measures were adopted (Act No. 382/2008 from September), effective from January 2009. The entitlements of social assistance after 6 months were automatically reduced to the subsistence (existence) minimum level. Only those recipients who took part in a public service programme for at least 20 hours per month could have their benefits topped up to the living minimum level and if they worked for more than 30 hours per month they could get a bonus.<sup>6</sup>

But from January 2009, after five months of unemployment, the individual action plans were the obligation of the unemployed person: a failure to fulfil the contracted obligations implied removal from the register resulting in lost unemployment benefit entitlements as well as reduced entitlements for social assistance benefits (at most the subsistence/existence minimum).

Since the establishment of the re-elected centre-right government which enjoyed a clear majority after the elections in June 2010, the measures imposed explicitly 'repressive sanctions' on the unemployed and removed some positive incentives: the unemployment benefit was cut down from 65% of previous earnings to 45% from the first month of unemployment in the case of voluntary termination of employment; unemployment benefit payments were cancelled during the period covered by severance pay; finally, the previously introduced possibility to improve one's income through combining the unemployment benefit with "non-colliding employment" (for earnings of up to half of minimum wage) was cancelled as well.

Measures in social assistance adopted in 2011<sup>7</sup> have cancelled bonuses to the living minimum or to subsistence/existence minimum in the case of participation in public service. Instead, all unemployed (irrespective of whether they were social assistance recipients or unemployment benefit recipients) could be obliged after 2 months of unemployment to participate in public service to an amount of up to 20 hours per week (which in fact corresponds to a part-time job). Refusal could lead to exclusion

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<sup>5</sup> Previously, low-wage earners were subject to a tax of only 12% of their gross wage.

<sup>6</sup> The problem was, however, as a 2009 survey by the MLSA showed, that only 10% of municipalities provide public service opportunities to benefit recipients (MLSA 2010a).

<sup>7</sup> Act No. 354 of November 6, 2011.

from all entitlements to unemployment or social assistance benefits. The Ministry of Labour and Social Affairs increased participation in public services in 2012 – by November 2012, nearly 61,000 have participated (MLSA 2012a). However, in November 2012 the Constitutional Court cancelled the institute of public service as compulsory activity of unemployment benefit recipients.

Minimum wage was not increased between 2006 and 2013 (remaining at the level of 8,000 CZK gross) and actually decreased when compared to average wages. The government refused proposals of Trade Unions and the Chamber of Commerce to increase the minimum wage in January 2012, using the unstable economic growth and expected problems in the labour market as a reason for refusal. Renegotiations conducted in April 2013 showed more consensus with the government and, finally, after the government resigned, the new “caretaker” government increased the minimum wage in July 2013 to 8,500 CZK (by 6%).

The OECD model illustrates that when top-up benefits were included, replacement rates did not drop significantly between 2008 and 2011 for long-term unemployed. By contrast, they slightly increased for single persons. In total replacement rates were the same or slightly higher than the median values in the EU.

**Table 1: Net replacement rates for the total of social benefits for the long-term unemployed (60<sup>th</sup> month of unemployment)**

persons	67% of average wage						100% of average wage					
	Without children			2 children			Without children			2 children		
	1	2 1 EA	2 2 EA	1	2 1 EA	2 2 EA	1	2 1 EA	2 2 EA	1	2 1 EA	2 2 EA
<b>2008</b>	42	66	56	67	77	61	30	47	47	53	57	52
<b>2009</b>	45	64	56	65	75	62	32	46	47	51	55	52
<b>2010</b>	48	64	56	64	74	61	36	46	47	51	57	52
<b>2011</b>	49	63	57	64	74	62	36	45	47	50	57	52
<b>2011 EU</b>	45	57	53	64	71	62	32	41	44	51	57	52

Source: OECD 2013: Benefits and wages: tax-benefit OECD model  
Note: EA = economically active (working)

The surprisingly modest effect the austerity measures have had on the replacement rates is probably due to the reasonably sensitive design of the social assistance benefits in the sense that they better reflected real housing costs (the supplement to housing costs depends on the specific local level of the housing costs) – and these were on the increase in the given period. Nevertheless, we can note that these benefits are effectively spent for increasing housing costs and cannot improve the well-being of the households.

Assessed altogether, the incentives that make work pay may be assessed as average. The most important measure which makes work pay even for lower earners is the high level of the tax bonuses. This increases ‘nominal work flexibility’ considerably. On the other hand, some activation measures and/or positive incentives have failed within the past three years. This was the case of ‘public service’ and ‘non-colliding’ employment (both measures lost their previously built-in positive incentives). The Individual Action Plans are in practice only a formal measure. Lastly, the level of the minimum wage also dropped considerably: in the case of a two-person family, social assistance

benefits are higher (when topped-up with housing related benefits). Some improvements would be suitable.

### **2.1.2 Supporting the employability of single parents and second earners in paid work, work integration after parental leave**

In the Czech Republic, no specific measures or schemes exist to support employability of single parents and/or second earners or re-integration of the parents after parental leave. Nevertheless, people in these categories can participate in the standard schemes of employment policy measures. The existing analyses show that targeting of ALMPs to parents with children is relatively good (Hora and Sirovátka 2012). There are many ESF projects which target these groups of unemployed and provide relatively comprehensive support for their employability. The problem is the overall limited scope of ALMP measures rather than targeting (single) parents (see below).

Since 2008, more flexibility was introduced in the parental benefit scheme: until their child is 18 months old, the parents can choose among three options: the fast track (11,400 CZK monthly, until their child is 2 years old), standard track (CZK 7,600, until the child is 3 years old) and slow track (CZK 7,600 until their child is 22 months old, since 2011 9 months) and CZK 3,800 after 22 months (since 2011 after 9 months), until 4 years of age. The fast and standard track was only made available to those claimants who had been entitled to a maternity leave allowance – which precedes the parental benefit – of at least CZK 380 per day. The problem was, however, that the parents have to decide (irreversibly) about their track when the child is 22 months (since 2011 9 months) old.

Since 2012 the parental benefit has been made more flexible, which means that parents can use the total amount available for the benefit during a period of four years (220 thousand CZK, monthly between 50-11,500 CZK) deciding about the monthly amount of the benefit while respecting the ceiling and the maximum length of four years of receiving the benefit. Not only mothers but also fathers can fulfil the necessary record of social insurance needed for entitlement for the higher tracks (380 days). In addition, while until the end of 2011, working parents could place a child older than 3 years in a publicly supported pre-school facility only for four hours per day while a child younger than 3 years could be placed only for a period of five days per month, since 2012 there is no restriction for children older than 2 years while children younger than 2 years may be placed for 46 hours per month in a publicly supported facility.

This development signalled the will of government to provide choices to parents to shorten the length of parental leave without being penalised in their benefit entitlements. On the other hand, minor steps have been undertaken to provide them more options of child care, especially in the case of children younger than 3 years (see the next section).

Another problem is the very low usage of part-time work: this makes the combination of working and parenting more difficult. Only between 5-6% of the total number of employees work part-time: the Czech Republic ranks among the countries with the lowest usage of part-time work (while in several countries in the EU it is more than 25%). There are no measures to support the willingness of employers or employees to part-time work.

In March 2013 the government started a new scheme to serve as an umbrella of the new Plan on Support of Employment. The scheme was created to provide a subsidy for each part-time job in the amount of 12 thousand CZK (nearly 500 EUR), which mothers taking care of children or people looking after a dependent person could participate in; this possibility also included the unemployed from disadvantaged categories like the long-term unemployed, people over 55, the low-skilled and

handicapped (MLSA 2013a,b). For this single scheme about 1.2 billion CZK has been provided (this is nearly one-third of the total expenditure on ALMPs in 2012). If this scheme continues in the long-term, positive impacts may be expected.

### **2.1.3 Ensuring effective access to affordable, quality early childhood education and care while adapting to diverse working patterns**

The most important obstacle to combining work and family and increasing women's employment is the chronic lack of facilities for children 0-3 years. The recent analyses and media debates document great shortcomings in the capacity and accessibility of childcare facilities (Kuchařová et al. 2009; Vláda 2011), especially of public and private nurseries for children up to 3 years, whose current number is only a few dozen. In addition, both public and private nurseries are extremely expensive, as has been mentioned. Thus the enrolment rate of Czech children under three years attending nurseries has been considerably undersized: about 7% of all children in this age group in 2010 (OECD 2011, UNECE 2012). The number of children attending kindergarten for children from three to school age is at a high level in the Czech Republic compared to nurseries even though there was a decline in the number of these facilities in the years 2005-2010; the enrolment rate dropped from 85% to 72%, which is about 6pp below the EU average (OECD 2011). The availability of childcare facilities for children 3-6 has become a problem too, since many kindergartens refuse applicants due to lack of capacity: in 2008/09 only about 20 thousand children were refused; in 2010/11 there were 39.5 thousand children; in 2011/2012 49 thousand; and in 2012/2013 it was 59 thousand (ÚIV statistics 2013).<sup>8</sup> An even more challenging situation was signalled in 2013. For example, in Brno (the second city in the country by population), 4,594 applications were submitted but only 2,198 children accepted to kindergarten: of that, no application of 2-year-old children was accepted; 1,137 of children aged 3 years were accepted, while 1,971 were not accepted; the situation is better with children aged 4 years and older (Mladá Fronta Dnes 2013).<sup>9</sup>

This is why the Council has recommended in CSRs (Council 2012, recommendation No.3) taking additional measures to *significantly* increase the availability of affordable and quality pre-school childcare facilities. In 2013 the Council (Council 2013) again recommended increasing the capacity of pre-school facilities, with focus on children up to three years old and the participation of Roma children.

The adopted measures on child groups and company kindergartens<sup>10</sup> are progressing slowly and the expected improvements may be only marginal. The incentives for employers, municipalities and NGOs to establish these facilities are weak.<sup>11</sup> The

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<sup>8</sup> Each year about one hundred thousand new children are accepted in kindergarten (own estimate, data not available).

<sup>9</sup> In reality, the number of the applications refused is not correct measure of the need of early care services since parents often submit more than one application in order to increase their chances to place a child into some facility (information on these multiple applications is not known).

<sup>10</sup> In August 2012, the government approved a legislative intention on a specific form of pre-school childcare arrangement called children's groups. These are established by employers with specific support from the state (financed by the ESF), serving groups of 7-24 children of pre-school age, including those below 3 years of age. Certain standards of staff qualification and sanitary norms should be respected in these facilities but are not as strict as in kindergartens (MPSV 2012b). The new Act proposal (involving the implementation of new types of childcare services and related measures in the field of taxation) was approved by the Government in May 2013 (MLSA 2013c). However, (as representatives of MLSA note) the proposal has not been adopted by the Parliament due to changes of the political situation.

<sup>11</sup> Their expenditure on child care facilities is tax-deductible. No other incentive is provided.

demand for child care and early education is partly covered by private facilities functioning under the professional trade “securing childcare for children up to 3 years of age” and two trades concerning childcare for children over 3 years of age and then “parent centres” (citizen associations or public benefit associations) that are attended by small children with their parents. According to the Ministry of Industry and Trade, there were 880 licences for securing childcare for children under 3 years of age registered on 31<sup>st</sup> March 2012; in September 2013 there were 1,284 licences. In order to extend the possibilities of attracting more people to care for children, the National Qualifications Register (NSK) has been amended by two qualifications: “Child care provider for children up to the compulsory school age” and “Child care provider for child care centres”. MLSA grants authorisation to applicants; in 2013 there were 19 that were granted authorisation.<sup>12</sup>

According to the author of the report, the above new initiatives are only complementary alternatives to public early childhood education and care. With respect to financial accessibility of care, public facilities still represent the best option for most parents, although the government plans to support parents through tax credits in the case that they pay for early childhood education and/or care from individual providers.<sup>13</sup> The quality of alternative forms of care in some cases is not comparable to public facilities.

#### **2.1.4 Promoting quality, inclusive employment and a working environment that enables parents to balance their work and parenting role on an equal footing**

The employment policies (ALMPs) supplemented with life-long learning programmes represent the most important measures promoting quality inclusive employment and a suitable working environment enabling balanced work and parenting roles.

A long-standing problem of Czech employment policy is the under-financing of ALMPs and understaffing of Employment Offices. The situation deteriorated during 2011-2012, while in 2013 it seems that the government reflected on the insufficiency of the approach in preceding years.

The scope of the ALMP measures was rather modest before the crisis (2008) and the crisis did not bring a contra-cyclical reaction of the government in 2009. ALMPs increased only slightly in 2010, while in 2011 and 2012 there was a really dramatically deteriorating situation in this area. In 2008, participants in active employment policy measures accounted for 26.3%; in 2009 it was 19.1%; in 2010, 22.5%; in 2011, 19.1%; and in 2012 it was 9.6% of the unemployment stock.<sup>14</sup> This development is due to cuts in ALMP expenditures as well as to the governance reforms of Public Employment Service implemented in 2010-2012, which emphasised centralisation, merging of the benefit systems to PES and weakening of their ‘active role’; a reduction of staff concerned with job-mediation and ALMPs was also a part of this.

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<sup>12</sup> Information provided by MLSA.

<sup>13</sup> It was announced that the tax credit for child care could be CZK 8,000, which means about CZK 650 per month. Such an amount can just cover the enrolment fee in public kindergarten but is insufficient for alternative forms of care or baby-sitting.

<sup>14</sup> The author’s own computations based on data provided by the MLSA 2013 web portal.

**Table 2: Active policy measures and unemployment (Czech Republic), PES data**

	2008	2009	2010	2011	2012
<b>Unemployed (end year)</b>	<b>352 250</b>	<b>539 136</b>	<b>561 551</b>	<b>508 451</b>	<b>545 311</b>
<b>ALMP participants:</b>					
Public works	16 246	19 794	22 882	21 322	12 833
Job creation in private sector	12 756	20 208	25 882	13 410	11 380
Job creation through the ESF (unspecified)	16 584	10 596	-	-	
Sheltered workshops – creation	974	1 231	1 640	1 405	817
Sheltered workshops – maintenance	9 349	10 315	10 076	14 620	1 514
Work rehabilitation	134	76	120	72	55
Local projects	43	204	459	643	522
Vocational training	36 451	39 831	65 453	45 521	25 199
<b>Total ALMP participants</b>	<b>92 537</b>	<b>102 255</b>	<b>126 512</b>	<b>96 993</b>	<b>52 320</b>
<b>as % of unemployed</b>	<b>26.3</b>	<b>19.1</b>	<b>22.5</b>	<b>19.1</b>	<b>9.6</b>
ALMP expenditure (thousand CZK)	6 131 729	4 953 467	6 171 493	3 815 886	2 595 049
of which was ESF	2 678 240	2 736 558	4 175 475	2 156 359	1 502 859
of which was ESF in %	43.7	55.2	67.6	56.5	68.0
Contribution to employers for employing the handicapped	2 283 655	2 257 461	2 712 304	3 282 404	3 486 251
Insolvency (support to employers)	150 330	844 033	497 837	389 142	451 799

Sources: MPSV/MLSA 2009, 2011, 2013i, MLSA web portal

The analysis of targeting the measures of vocational training/re-qualifications in 2011 (data for 2012 not available due to mismanagement of the information system) has shown under-representation of the groups furthest from the labour market: the value of the 'targeting index' in the case of the handicapped was only 0.69; in the case of the unemployed over 50 years of age it was 0.79 (while in the case of those between 25 – 49 it was 1.10); in the case of the unemployed with low level (at most basic) education it was 0.63 (while in the case of those with a complete secondary education it was 1.56).

Starting in 2012, employment support for disabled people has been reduced: the institution of 'sheltered workshops' has been abandoned, as will also be the status of 'person with disability', effective from 2014. The contribution towards the operating costs of sheltered workplaces – previously workshops – has been reduced to CZK 48,000 a year (previously it was three times the average wage). In 2012 investment in the employment of people with disabilities dropped markedly.

As Clasen et al. (2012) suggest, the Czech Republic has not recognised the crisis as a structural challenge.<sup>15</sup> For this reason, employment policy does not pay very much attention to 'outsiders'; instead there is focus on the protection of the existing employment as a long-term priority.

The reforms of employment services are aimed at saving administrative costs and stream-lining services through institutional integration with social assistance, as well as through out-sourcing job mediation to private providers. The 2012 state budget draft counted on staff cuts in Employment Offices and was subject to criticism from trade unions (ČMKOS 2011). It mentioned 6,565 employees of the Employment Office planned, while the official systemisation of job positions involved 8,093 job positions. The draft foresaw cost savings of CZK 400 million and staff cuts of 1,953 people.

The Council (2012) focused on the fact that with the governance reform of PES and social assistance, the resulting increased workload would put further strain on PES staff, whose numbers declined by 12% in 2011. Similarly, the Public Defender of Rights (Veřejný 2012) criticised the insufficient number of staff handling the social assistance agenda following the transfer of the agenda from municipalities with extended competence to Employment Offices in January 2012. The transfer involved staff cuts of more than 60% in comparison with 2011.

Some improvements are foreseen in 2013. Most of the measures aiming at social inclusion are concentrated in Part 3.3 of NRP since April. The weak position of vulnerable groups in the labour market is recognised in this report, which also points out some negative impacts of the governance reforms of employment services like diminished staff capacity of the employment offices. A positive turn may be seen in the claim to increase the personnel capacity of employment offices by about 500 employees, as well as in the implementation of profiling methods, permeable employment schemes, integrative social enterprises and strengthening of the individual approach to the unemployed.

The government has announced several measures in March (*Employment Plan*; see MLSA 2013a), the most important being the massive measures to provide employment opportunities (in the form of 12 months work experience) for youth and to protect employment in companies threatened by the crisis by supporting part-time work (Kurzarbeit) combined with vocational training. Consequently, ALMP expenditures are provided in the amount of 7.9 billion CZK.<sup>16</sup>

Some of the measures of the new 'Employment Plan' were started earlier in 2012:

- the project "Vzdělávejte se pro stabilitu" (Educate Yourself for Stability) as a Czech form of "Kurzarbeit" was started with the aim of supporting companies with economic problems due to lack of demand for their products; the solution was to provide training to the affected employees and support their wages up to 31,000CZK monthly for a period of 6 – 12 months (this ESF financed project will last from September 2012 to August 2015, allocating 400 million CZK and then another possible 400 million CZK after the assessment of the first results)

- support for vocational training (re-qualification by choice including).

Some measures are completely new and others involve the redesign of existing schemes:

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<sup>15</sup> Some other OP HRD programmes have been adopted in order to prevent unemployment which supported labour market training in the workplace in 2009-2010, with a great number of participants, that is, close to 4% of the labour force. A similar scheme was started in 2012 (see below).

<sup>16</sup> MPSV/MLSA (2013a).

- support for jobs for people under 30 years with a job subsidy of up to 24,000CZK monthly (nearly 1,000EUR); regional projects supporting job searching, counselling and vocational training for school graduates (available sources of 1 billion CZK are available)
- support (in the form of part-time jobs) to working mothers and the long-term unemployed (see the section above)
- increased subsidies for the self-employed: the plans of an individual entrepreneur may be supported in the amount of 40-80,000CZK (1,700-3,400 EUR) if applications/proposals are accepted as sustainable
- improved support to municipalities and NGOs: jobs in the public sector (like those in libraries, maintenance of public property, and social services such as elderly care). Municipalities or NGOs can receive a job subsidy in the amount of up to 15,000CZK (nearly twice the minimum wage). Similar support is available for public work scheme (MLSA 2013d)
- improved counselling and job mediation: new methodical approaches and standards for individual case work have been announced, which would be applied with the help of ESF funds (MLSA 2013a). Implemented in 2013, the "New Start" project is based on the "labour pool" whereby the jobs are arranged through employment agencies and individual counselling (MLSA 2013e)

In order to improve the capacity of PES, in 2013 the Ministry of Labour and Social Affairs increased personnel capacity by 250 permanent employees and 150 temporary employees, both for employment policy and the non-contributory benefits agenda. Following this, 144 members of staff were hired for the new agenda in the area of foster care (MLSA 2013f).

However, with the new temporary "caretaker government" established in July 2013, a more substantial decision was made: to accept 700 new employees who would be clearly pro-client oriented, that is, 319 positions in 2013 and the rest in 2014 (MLSA 2013g).

Slow progress has been made in life-long learning. The key problem is the missing legislative framework, as well as the lack of systematic financial support for life-long learning. The National Qualification Framework (NQF) has brought new possibilities in the recognition of informal education (certification of job skills and experience). It also represents an incentive for the providers of various programmes of vocational training/life-long learning to broaden the range of programmes, as the NQF has not facilitated the practical implementation of new programmes for lifelong learning, because there were no subsequent supportive measures. Apart from the NQF, there is another important ESF project which transforms secondary schools into centres of life-long learning: 325 centres are to be established nation-wide. Although progress is not fast, it is expected that by 2015 when the project ends, there will have been 3,250 participants of these pilot programmes (MPSV 2012c, Národní 2012).

To sum up, the strengths of the policies may be seen in that they provide sufficient economic incentive to work ("making work pay"). The weaknesses are identified in the low effort of establishing active labour market policies, especially with respect to the groups most distant from the labour market, parents with small children among them (although a positive turn has been seen since March 2013). Primarily, the insufficient staffing of employment offices does not enable effective case work, or individual support and counselling for job-seekers. Secondly, pre-school facilities are insufficient and the gap is widening, with childcare for children up to 3 years being the most serious problem. Finally, life-long learning lacks a legislative framework and financial tools; thus, progress in this area is slow in spite of ESF funding.

Two areas deserve much more policy effort: pre-school education and care and employment policy, which should be more individualised, effective and diversified (see also Council 2013).

## **2.2 Policies to provide adequate living standards through an optimal combination of cash and in-kind benefits**

The key challenges may be identified as follows: relatively higher figures of risk of child poverty and social exclusion accompanied with a tendency towards the persistence of poverty. Data by CZSO (2013) shows that in 2012 the rate of poverty risk among children was 13.9% (in 2011 it was 15.2%) compared to 9.6% in the overall population. The risk of poverty in single-parent families is 31.3% and 22.4% in families with 3 or more children; 46.4% in families of the unemployed.<sup>17</sup> The risk of poverty and social exclusion of children was 20% in 2011 (i.e. about 6-7 pp below the EU average). UNICEF (2012) documents high risk of poverty among children living in families with low work intensity (65.4% in 2009) and in families with low parental education (55.2%).

The problem is the concentration of poverty risk and social exclusion in specific groups of the population. The multiple deprivation of the Roma in the excluded localities is a closely related problem aggravated by the “concentration effect” and spiral of precariousness.

The analysis by the EC (2013) ranks the Czech Republic among those countries where entry and exit from poverty are low – indicating a downward spiral for those who are excluded and at risk of polarisation between themselves and the rest of society.

### **2.2.1 Providing adequate, coherent and efficient benefits (adequate balance of universal and targeted schemes, avoiding inactivity traps, reflecting the evolution of household types)**

The protection of the population against risks of poverty has become one of the main political concerns during socio-economic transformation in 1990s. The Czech Republic has succeeded in developing a social protection system effective in alleviating risks of poverty efficiently: poverty risk in the Czech Republic is the lowest in the EU, even though social protection expenditures are also among the lowest. This positive outcome has been achieved thanks to the specific design of the “*extended social safety net*”: social insurance schemes provide low replacement rates on average, although there is considerable redistribution towards the low income groups. Family-related non-contributory benefits are provided on the basis of income testing and supplemented with social assistance benefits when necessary: these are at least of average generosity (see above on SA replacement rates by OECD).

In spite of the shift towards more targeting between 2007 and 2013 aiming to reduce social expenditure, the basic features of the system have not changed very much. No single measure has brought any remarkable deterioration of children’s access to adequate resources; nevertheless, the total effect of the measures was rather negative. In 2007 (data by SILC, see Eurostat database), the effectiveness of social protection (without pensions) in reducing the risk of child poverty was 46.1% (this children at-risk-of poverty rate was reduced from 30.8% to 16.6%), in 2011 it was 42.9% (from 26.6% to 15.2%) and in 2012 it was 46.5% (from 26% to 13.9%), while no big inactivity traps emerged, except in the case of large families with 3 or more children<sup>18</sup>. In 2012 (SILC) data show the child poverty risk at a level of 13.9% (CZSO 2013), which seems to be a surprisingly good outcome, better than in 2011.

<sup>17</sup> ([http://www.czso.cz/csu/2013edicniplan.nsf/t/8F001AC363/\\$File/30121319.xls](http://www.czso.cz/csu/2013edicniplan.nsf/t/8F001AC363/$File/30121319.xls)).

<sup>18</sup> Data from the Eurostat database; own computations.

The most important changes concerning the adequacy and efficiency of the benefits are the following.

In 2007, several benefits relevant to low-income households (or those people with entitlements to these benefits) were reduced: child benefits were limited to households with an income lower than 2.4 multiple the living minimum (while previously it was income lower than lower 4 multiple the living minimum).<sup>19</sup> The birth grant was reduced: only slightly in the case of the first child, but more radically in the case of subsequent children in the family.

Austerity measures stipulated in the Act on the Promotion of Economic Growth and Social Stability (Act No. 362/2009) decreased replacement rates of sickness benefits to 60% of the assessment base (resulting in reduced earnings for the insured person), down from 72% (or 70% in the case of long-term illness).

The social allowance was cancelled (as of January 2011), except in the case of disabled children (although this was also cancelled as of January 2012). The birth grant was restricted to the first child only and was subjected to an income test (i.e. entitlements were reserved for families with an income lower than 2.4 multiple the living minimum). The social allowance was provided to about 241 thousand recipients in 2007. Due to changing rules and the link to the subsistence minimum, the number dropped to 148 thousand in 2010. After the reduction of entitlements in 2011, the number dropped further to 26 thousand (data for 2012 not available; MLSA 2011b, 2012d). Similarly, the number of the recipients of child benefits fell from 1,680 thousand in 2007 to 886 thousand in 2008 and finally to 484 thousand in 2011 and 464 thousand in 2012.

In 2007, within a package aiming to stabilise public budgets and the government's obligation to revalue the living minimum, even social assistance benefits were abandoned. Due to the changed rules between 2007 and 2012, the living minimum was not re-evaluated despite growing inflation: the cumulative inflation rate over this period was 17.9% (i.e. 2007 - 2.8%, 2008 - 6.3%, 2009 - 1.0%, 2010 - 1.5%, 2011 - 1.9%, 2012 - 3.3%). The benefits based on the living minimum were slightly raised as of January 2012; nevertheless, this rise only compensated for the estimated direct burden of the VAT increase (effective as of January 2012) on low-income households. Thus, the adequacy of income protection has become a concern.

During the reported period, indirect taxes rose: in 2008 the lower level of VAT was increased from 5% to 9%; in 2010 to 10%; in 2012 to 14% and in 2013 to 15%. At the same time, the standard tax level went from 19% to 20% in 2008, and then to 21% in 2013. The Czech-Moravian Chamber of Trade Unions (ČMKOS, 2012, own computations) estimates that the cumulative burden of the changes in 2012 and 2013 presented by the increase in the VAT rate with the increased income tax (e.g. employees' health insurance contributions increased from 4.5% to 6.5% of gross wage, effective from 2013) on a four-member family to be around CZK 11,200 CZK per month (i.e. about 22% of two average wages of the model family).

### **2.2.2 Complementary cash income support schemes with relevant in-kind benefits, while maintaining a balance between both types of benefits**

In the Czech Republic, not many in-kind benefits are provided within income support schemes. The general trend in recent years has been towards marketisation, which means that cash benefits have been prioritised (e.g. care allowance in the area of care for the elderly and disabled). Nevertheless, cash income support is complemented by

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<sup>19</sup> They were further differentiated according to the child's age, not according to the household's income, as was the case in previous times. The volume of the benefits declined for all income groups.

some tied benefits, the most important of which are those supporting housing costs, care allowances and benefits for the disabled. In recent years, no new tied or in-kind benefits have emerged; furthermore, there has been deterioration of the existing benefits.

Due to the Act on the Promotion of Economic Growth and Social Stability (Act No. 362/2009) adopted by the Parliament in September 2009 as part of an anti-crisis austerity package, specific social assistance benefits for disabled people were reduced, such as the motor vehicle allowance (a 50% cut in the case of people with second-degree disability and a 20% cut in the case of those with third-degree disability). With Act No. 347/2010 Coll. (Act amending some laws connected with austerity measures within the remit of the Ministry of Labour and Social Affairs), the care allowance provided for the purpose of direct purchasing of services by long-term dependent elderly people was reduced from CZK 2,000 to CZK 800 a month for people with first-degree dependency (the lowest level).

Since January 2012, granting the benefits to persons with disabilities for mitigating the social impacts of disability and for supporting social inclusion has been regulated by a new act. Act. No. 329/2011 Coll. reduced the number of existing benefits to two basic ones (allowance for mobility and grant for special aid) and authorized the Labour Office to decide on them. Since January 2012, the following changes in care allowance were realised: increasing the monthly allowance from CZK 5,000 to CZK 6,000 for persons aged 1-18 years in the dependence degree II, enabling increase of the allowance by CZK 2,000 a month if the recipient is a parent of the dependent child under 18 or the dependent child itself and the income of the family does not exceed 2.0 multiple of the family's living minimum. Since December 2012, care allowance has been increased by CZK 2,000 also for recipients who are children from 4 to 7 years of age in grade III or IV.

As of 2012, the housing supplement entitlement period was restricted to 84 months over the period of 10 years.<sup>20</sup> The consequences of these restrictions will be evident for the first time in 2019. They may be, however, significant, since housing-related benefits became even more important with rent deregulation in the housing sector and the increasing costs of housing: the number of recipients of a housing benefit continuously increased (from 86 thousand in 2008 to 141 thousand in 2011).

### **2.2.3 Seeking to avoid stigmatisation and low take-up linked to means-tested or targeted benefits**

There has been no concern for the issue of stigmatisation and low take-up in the Czech Republic in recent times. Instead there have been reforms aimed at the restriction of access to benefits for the unemployed and social assistance claimants. The measures adopted in 2011<sup>21</sup> have represented activation reforms with great emphasis on workfare, which to large extent is stigmatising. As already mentioned, all unemployed people could be obliged after 2 months of unemployment to participate in public service to the extent of up to 20 hours per week (which corresponds to a part-time job). Refusal to participate means that the claimant could be deprived of all entitlements to unemployment or social assistance benefits. However, as noted above, in November 2012 the Constitutional Court changed the institution of public service to be an optional, rather than compulsory activity.

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<sup>20</sup> The same restriction applies to the housing benefit, which is another benefit supporting low-income households in the case where their housing costs exceed 30% (35% in Prague) of their income. Since 2012, the housing supplement has been provided under the social assistance scheme as an income and means-tested benefit.

<sup>21</sup> Act No. 354 from November 6, 2011.

The DONEZ project financed by the ESF (2011-2012) was introduced as a pilot scheme aimed at eliminating undeclared work. Employment offices required the unemployed people who were qualified by them to become involved in the project by reporting at a specified time and place (Czech Point terminals at post offices). This project was criticised by the Public Defender of Rights because the unemployed had to report at Czech Points where no assistance in job mediation was provided (Veřejný 2012b). This criticism as well as the obvious ineffectiveness of the project implied that the project should be terminated.

There was also increasing emphasis on targeting benefits with means-testing and job search-testing. Considering the insufficient personnel capacities of the front-line workers of the employment offices, stigmatisation and/or non-take-up could hardly be prevented effectively. According to Horáková et al (2013), the estimates of non-take-up of benefits of assistance in material need (based on SILC data) show that there were about 4% of people in the country entitled in 2010 (their average incomes during the year were below the threshold which determines the entitlements for assistance in material need), while only 1.7% of the population were recipients of assistance in material need at least at some point during 2010. This indicates that at most only half of the entitled qualified for the benefits. The highest figures of non-take-up were estimated among the working poor and pensioners. This problem deserves attention but seems to be beyond political concern.

To sum up, the strengths of the policies may be seen in the relatively effective transfer system, which alleviates risks of poverty (except in the case of some categories of the population like single parent families, families with 3 or more children and households with unemployed members). According to EC (2013), the effectiveness of social transfers (excluding pensions in the 0-64 population) are above the EU average (47%); this is comparable to the Netherlands and France and better than Germany, although social protection spending (excluding pensions) is only about 10% of GDP, which is not comparable with France or the Netherlands (which spend 18-19% of GDP).

The weaknesses consist of the neglect of the issue of adequacy of minimum income support and the non-take-up of means-tested benefits. The adequacy of the living minimum is, however, a subject of the research project and should be reflected in policy decisions. Improved personnel capacity is also needed in order to enable individual work and counselling.

## **2.3 Access to affordable quality services**

The key policy challenges are the exclusion of many Roma children from mainstream education, lack of early childhood education and care in the excluded Roma localities (for details see Sirovátka 2013), combined with the multiple disadvantages of the Roma and their children in the excluded localities: for example, sub-standard housing and problems with access to healthcare. The risks of homelessness are increasing due to rising housing costs and the lack of social housing.

### **2.3.1 Furthering social inclusion and the development potential of early childhood education and care (adapting provisions to the needs of families, incentivising the participation of disadvantaged children and involving parents)**

The potential of early childhood education is extremely important with respect to children living in the excluded Roma communities and other families exposed to the risk of social exclusion (particularly single parents and large families). The ongoing reforms undermine the potential of early childhood education in two respects. First, the strategy adopted by government to develop only the alternative forms of care does not expand the access to early childcare for the families at risk of poverty and

social exclusion. Second, the quality of care and early education is lower in these forms of care, which hampers their potential in the social inclusion of disadvantaged children.

Currently, a specific problem is that in the excluded localities, pre-school facilities are not well accessible (both spatial and financial accessibility are problems). Only 40% of Roma children attend kindergarten (Zpráva 2012) compared to about 80% of majority population children; FRA (2012) reports that about 32% of Roma children aged 4 to school age are enrolled in pre-school education compared to 73% of majority children: this is the third lowest figure of 11 European countries (only Greece and Slovakia have lower figures).

### **2.3.2 Increasing the educational systems' capacity to break the cycle of disadvantage (addressing barriers such as costs, fostering desegregation, providing personalised support)**

The exclusion of Roma children from mainstream education is a well-known problem. More resources are necessary to implement the individual programmes of inclusive education (primarily, to create conditions allowing for sufficient staffing). As Council (2012) noted, spending per student in the Czech Republic is in the lowest quarter of the member states and is especially limited in primary education. From this reason, EAPN (2012) recommended a priority for the Czech Republic: *"Put in practice, as soon as possible, inclusive and high quality education for socially vulnerable people and the Roma as a political priority; increase the number of Roma educated in secondary schools, with the main responsibility placed on educational institutions"*. By contrast, the draft of the Government Budget for 2014-2016 fails to increase the number of personnel or salaries in education: the level of 217 thousand employees is fixed until 2016 (see Ministry of Finance 2013).

The area of inclusive education is essentially being developed owing to projects funded by the ESF. In December 2012, short-term measures were elaborated by the Ministry as a reaction to the 5<sup>th</sup> anniversary of the ruling by the European Court for Human Rights: starting in the 2012/13 school year, the legal pre-conditions for indirect discrimination were cancelled (e.g. 25% tolerance of pupils with mental or social disadvantages in a class for pupils with physical disabilities; the possibility of temporary placement in such classes; and possibility of a diagnostic stay). An especially important measure is to revise the tools used to diagnose mild mental disability/MMD and implement new tools by the end of 2013. The Forum of NGOs on the Issue of Equal Opportunities for Education was established at the beginning of 2013. Furthermore, a revision of the National Action Plan on Inclusive Education was announced by the Ministry, although it lacks specificity; nevertheless, no new results are known.<sup>22</sup>

Some progress is evident as a result of the above-mentioned initiatives to halt indirect forms of discrimination: between the 2009/10 and 2011/12 school years (according to data by MYES), the proportion of Roma children among those pupils educated according to the educational framework for pupils with mild mental disorders dropped from about 35% to 26%; their share in the total number of all pupils decreased from 25% to 13% (MEYS 2012:2).

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<sup>22</sup> See <http://www.msmt.cz/socialni-programy/narodni-akcni-plan-inkluzivniho-vzdelavani>.

### **2.3.3 Improving the responsiveness of health systems to address the needs of disadvantaged children (by ensuring universal access to healthcare, addressing barriers such as costs or cultural barriers, and enhancing prevention)**

In principle, Czech healthcare is provided as a universal right based on compulsory healthcare insurance. Out-of-pocket payments were implemented in 2008; in 2012 the user fee for hospitalisation was increased from 60 to 100 CZK per day. On the other hand, the prescription fee was reduced to 30 CZK (1.2 EUR) per prescription; previously, each item on the prescription was charged at 30 CZK. There is a 5,000 CZK limit on healthcare fees; 2,500 CZK for children under 18 and seniors over 65. Furthermore, people in material need (entitled to social assistance benefits) are not required to pay. Nevertheless, fees are required from non-recipients of benefits for those in material need who are below the EU poverty threshold (the Czech threshold for entitlements for social assistance benefits is lower than the EU poverty threshold). From this reason, and considering the evident problem of non-take-up of social assistance benefits (see the section above), accessibility of healthcare may be a problem for disadvantaged children.

This problem may be aggravated in the excluded Roma localities. Generally, about 35% of Roma report health problems that influence their daily activities compared to less than 15% of the Czech population (FRA 2012). Data by DROM also show that 44% of Roma lack access to basic medication (Drom 2012); there is also evidence of incorrect behaviour from doctors and nurses towards the Roma (ibid). For this reason, the Strategy for Social Inclusion 2011-2015 adopted by government puts emphasis on a programme of social-health assistants whose role would be to facilitate access to healthcare. However, the Ministry of Health refused responsibility for this programme and the government failed to react. Currently, DROM (Roma civic association) took over responsibility for the programme and employs 8 of the 9 health assistants in the country who work in merely 4 of the 14 regions.<sup>23</sup>

### **2.3.4 Providing children with adequate housing and living environment (providing families with affordable, quality housing as well as those at risk of homelessness)**

The main tools to support housing for low income households in the Czech Republic are housing related benefits through a contribution to housing costs ("příspěvek na bydlení") and a housing supplement ("doplatek na bydlení"). The former is income-tested and the latter is means-tested. On the other hand, the municipalities do not own sufficient housing estates to meet the demand for accessible rental housing. According to Census 2011, the state or municipalities own 48,135 housing units, which represents only 2.7% of the total housing supply.

In the past, the Czech Republic established two programmes to support the construction of social housing: "subsidised housing units" (intended for the disabled and elderly people) and housing for people on a low income (with an allowance per housing unit exceeding 0.5 million CZK). According to MMR (2013a), the number of subsidised flats declined considerably after 2007, although there was an increase in 2012 (see Table 3).

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<sup>23</sup> See <http://www.drom.cz/cs/drom-romske-stredisko/socialni-sluzby/zdravotne-socialni-pomoc/>.

**Table 3: Number of subsidised flats (intended for social housing) 2006-2012**

2006	2007	2008	2009	2010	2011	2012
2,668	1,486	210	226	507	228	459

A very important programme financed from ESF resources is the *Integrated Operational Programme (IOP)*, whereby support is provided for the regeneration of “problem dwellings”, improving the housing estates and their environment. The impact of the programme is increasing: it contributes to the improvement of housing conditions in excluded Roma communities, among other benefits.

**Table 4: Expenditure and outcomes of IOP for revitalization of problem dwellings**

	2010	2011	2012
CZK (in billions)	465	582	1,340
Number of flats	9,564	16,428	9,092
Area (thousand m <sup>2</sup> )	357	735	1,072

Source: MMR 2013a: 29

In 2011, the Czech government approved the Housing Strategy to 2020. From a report delivered in June and subsequent tasks approved by the government, it is clear that the concept of social housing is understood in a narrow sense – as intended for persons in “housing distress/emergency”. A comprehensive solution for social housing was to be introduced by the end of 2013 (MMR 2013b). A general under-investment in housing has led to decreasing numbers of new flats: in 2012 the number was the lowest it has been since 1996 (i.e. 23,853, while in 2010 it was 37,319; MMR 2013a: 81).

Homelessness is becoming a pressing problem under these circumstances. A report by Hodnoty-soužití-pomoc (HSP 2012; “Values-Community-Aid”), commissioned by MLSA as a basis for *The Prevention and Resolution of Homelessness* signals the urgent need for several measures. The authors estimate that there are 30,000 homeless people in the country, with the possibility of increased numbers in 2012–2015 to about 60,000 if no new measures are adopted. The report shows that the need for new shelters for the homeless is more than 100% higher than current capacities. Similarly, the Agency for Social Inclusion stresses that the lack of accessible housing in the excluded localities leads many families to over-indebtedness as they accept extremely high-cost housing in dormitories/hostels (“ubytovny”), because other housing options are not available.

According to HSP (2012), to prevent the increase of the numbers of homeless it would be necessary to invest about 370 million CZK into these measures by 2015. By contrast, government support for facilities for the homeless dropped from 365.5 million CZK to 238.4 million CZK between 2007 and 2011 (ibid). The Agency for Social Inclusion (ASI) has piloted inclusive social housing practices with integrated social services which exist as examples of good practice in several cities. They deserve more support because without regular social investment, the expansion of the affordable housing supply is not possible.

Consequently, as a second priority in combating social exclusion, EAPN (2012) recommends for the Czech Republic to implement inclusive social housing practices along with integrated social services, including plans for reducing indebtedness.

### **2.3.5 Enhancing family support and quality of alternative care (strengthening prevention, ensuring children in alternative care have access to quality services and are supported in their transition to adulthood)**

In the Czech Republic, extremely high numbers of children are living in institutional alternative care. From this reason, a plan was adopted by the MLSA to increase the number of foster families and to improve their support in several respects. The allowance for children in foster care was increased by more than 20% since January 2013 and the foster care allowance was increased; in the case of care for one or two children, it is about twice as high.

In order to guarantee the quality of care, the Ministry is expanding counselling and educational programmes to foster families, as well as education for social workers in the field of Social and Legal Protection of Children. However, the creation of a foster care system of a sufficient quality will require more long-term effort.

The measure has brought some results concerning accessibility of foster care. In June 2013 there were 9,437 people evidenced who received a foster allowance; at the end of 2012 it was 9,000; in 2011, 8,300. There were 12,358 children placed in foster care in 2012, while in 2010 there were 10,200 – the increase within one and a half years is about 20%. About 10,000 children are still living in institutions, but their number is decreasing (MPSV 2013h). At the same time a certain problem has emerged for the children homes (especially those run by NGOs) concerning sufficient financing<sup>24</sup>.

To sum up, the strength of the policies are represented by the existence of strategic documents which address the problems of poverty and social exclusion in several areas and specify measures in social services: this is the case of inclusive education, housing policy, the prevention and resolution of homelessness, strategies to combat social exclusion in marginalised Roma localities, etc. Similarly, an institutional base was established – the Agency for Social Inclusion (ASI). The ESF resources/projects are often well linked to the priorities outlined in the strategic documents. The policy weaknesses arise in the implementation deficits concerning the realisation of the above-mentioned strategies. Under-financing is one of greatest obstacles.

Two areas are particularly urgent: first, inclusive education needs thorough and fast implementation of individual plans for pupils with specific educational needs, supported by adequate staffing of schools (i.e. teachers, pedagogical assistants). Second, social housing requires a legislative framework and more investments to be available quickly.

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<sup>24</sup> See <http://www.parlamentnilisty.cz/zpravy/Sefka-detskeho-domova-popisuje-drsnou-realitu-financovani-neziskovek-264023>.

### 3. Addressing child poverty and social exclusion in the European Semester

Child poverty and social exclusion are not among the key issues in the Czech response to the Europe 2020 Strategy as a part of the European Semester. There is a certain gap in this response, since in the long-run child poverty and social exclusion are relatively high when compared to the overall at-risk-of poverty rate or social exclusion rate in the country. Nevertheless, some of the policy challenges that are important with respect to child poverty and social exclusion are addressed to some extent.

In the National Reform Programme (NRP) attention is paid to ‘threatened children’ (children who suffer from a lack of family care), through promising reform of the system of care. In 2012 the Amendment of Act No. 359/1999 on the Social-Legislative Protection of Children was accepted, in effect since 2013. There are two key improvements which are steps towards the complex system of foster care. First, since January 2013, it has been possible to professionalise foster care, based on agreements with people fostering children and the provision of support services to them. At the same time, the government has initiated work on the complex legislative framework for child protection, foster care including.

Second, the quality standards of social-legislative protection of children have been implemented, as well as the assessment of the performance of this protection. Furthermore, the standards of work with clients, personnel, organisational and technical performance, as well as the implementation of tools like so called ‘case conferences’ together with the Institute of Specialised Curators-Supervisors for Children and the individual plan of child protection have been established.

Another key focal point of the NRP in 2013 was the issue of inclusion of socially disadvantaged children into mainstream education. Namely, within the Strategy to Combat Social Exclusion 2011-15, the government has committed itself to supporting accessibility of pre-school education, especially for children from socially disadvantaged environments; it has also promised to transform the system of pedagogical-psychological counselling; so the individual needs of children could be better identified and supportive measures suggested, in cooperation with parents or other caring persons, kindergartens and primary schools, and NGOs.

As mentioned above, the NRP 2013 has also reacted to the recommendations of the Council on the accessibility of pre-school education and child-care by suggesting measures to support company kindergartens and alternative forms of child care like “child groups”. However, this seems to be only a partial solution, as was commented above and assessed in the Council specific country recommendations (Council 2013). Until now, no adequate response to this criticism has been considered by the government except the already mentioned legislative proposal of the Act on Child Groups approved by the government.<sup>25</sup>

Similarly, in spite of the higher risks of poverty and exclusion of children (compared to the adult population), no specific targets to alleviate poverty and social exclusion of children have been suggested in NRP or other policy documents.

Lastly, no specific monitoring arrangements have been adopted concerning child poverty and social exclusion. On the other hand, there are some initiatives which enable access to information on issues related to child poverty and social exclusion. In NRP there is a general claim on the implementation of mainstreaming of social

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<sup>25</sup> As argued above, even though this proposal would be implemented, it cannot significantly improve the situation in child care and early education.

inclusion at all levels of public administration and on respecting the principle of evidence-based policy. As mentioned in the first part of this report, several particular steps in this respect are being taken; some of them will specifically contribute to monitoring the situation of children. The main ones include: a project on monitoring social pathology phenomena, a project on the implementation of national targets on social inclusion and projects on monitoring the situation in excluded Roma communities. Nevertheless, the implementation of the principles of monitoring and evidence-based approaches to policy-making still seems to be in an embryonic stage in the Czech Republic.

Better integration of policies to alleviate child poverty and social exclusion into the European Semester would need the following: first, improvements could be achieved by amending NRP objectives and measures: a child poverty target should be specified and CSRs concerning childcare should be handled more responsibly. There should be an obligation adopted on the assessment of those policy reform measures that impact on child poverty and exclusion – social impact assessments, with emphasis on children, for example, distributional impacts or the consequences on access to services.

## 4. Mobilising relevant EU financial instruments

The EU funds represent a crucial contribution to financing measures supporting social inclusion. In the period 2007-2013, within ESF nearly 55 billion CZK have been provided under the OP Human Resources and Employment, which is most important for social inclusion; this has been structured in 5 priority axes: 1) Adaptability 14.7 billion CZK; 2) Active Employment Policy (19.7 billion CZK); 3) Social Integration and Equal Opportunities (14.5 billion CZK); 4) Institutional Capacity of Public Administration (4.9 billion CZK); 5) International Cooperation (1.1 billion CZK), amounting to 55 billion CZK. Similar amounts of money have been provided under the Education for Competitiveness scheme, which supports measures of life-long learning and inclusive education, for example.

The Operational Programme Human Resources and Employment (OP HRE) is focusing primarily on the reduction of unemployment by means of active labour market policy and professional training, as well as on the reintegration of socially excluded people into mainstream society. The total allocation amounts to approximately 6.8% of the total EU funding intended for the Czech Republic. These resources can be drawn until the end of 2015.<sup>26</sup>

**Table 5: ESF in the programme period 2007-2013 in billion CZK (3 July 2013)**

Priority axis	Allocated	Applied	Accepted projects	Ongoing projects
1	14,7	35,0	15,3	14,7
2	19,7	22,5	19,4	18,2
3	14,5	40,4	13,1	13,1
4	4,9	8,1	4,9	4,9
5	1,1	4,2	1,1	1,1

For social inclusion, priority axis 2) ALMP and axis 3) Social Integration and Equal Opportunities are especially important. These two priority axes amount to 34 billion CZK (which for each year in this period represents roughly the amount corresponding to the total budget for ALMPs).

In axis 3) Social Integration, three sub-items play a crucial role in social inclusion: sub-item 3.3) Integration of Socially Excluded Groups in the Labour Market – 2.1 billion CZK allocated (1.9 billion CZK allocated by July 1, 2013); 3.2) Support to Social Integration of People from Roma Localities – 1.2 billion CZK allocated (1.0 billion CZK allocated by July 1, 2013); and 3.1) Support to Social Integration and Social Services – 9.9 billion CZK allocated.

Thus, about 13 billion CZK has to some extent been related to social inclusion measures. However, this is not so high a figure (just over 2 billion CZK per year) considering that most of these sources are invested into the social services (sub-item 3.1), which are chronically underfinanced by national resources.

However, EU funds are fundamental for social inclusion: without their support the most important policy areas would starve, like active labour market policies, integration policies in Roma excluded localities, inclusive education, regeneration of problem dwellings, several areas of social services, and monitoring and evaluation of the situation in these areas.

Nevertheless, the allocation of ESF resources is not well balanced. Social inclusion is not among the priorities and the measures are quite modest. Most of the resources of ESF are spent on priority axis 1) Adaptability, axis 2) ALMPs and within axis 3) sub-

<sup>26</sup> For information below see [www.esfr.cz](http://www.esfr.cz).

axis 3.1) social services in general, with only partial impact on social inclusion. From this perspective, social inclusion expenses explicitly represent about 3 billion CZK of 55 billion CZK calculated above. This share is small for two reasons: first of all, the Czech Republic prioritizes support for measures which directly lead to competitiveness and growth. Although typically large segments of the labour force and employers profit from them, the 'outsiders' in the labour market benefit to a lesser extent. Second, the measures (i.e. typically in ALMPs, social services) outpace the national social investment instead of adding value by enlarging the resources devoted to social inclusion measures.

When reviewing the policy objectives and measures included within axes 3.2 and 3.3, they basically correspond to the challenges that the country is facing in social exclusion, although less to CSRs. For example, several programme materials provide a strong base for channelling the ESF resources appropriately: *The Strategy to Combat Social Exclusion 2011-2015*, concerning measures in the excluded Roma localities, or the materials of MLSA (2013j) on the priorities of the OP in the Employment area, and the priority axis Social Inclusion, elaborated recently.

There are, however, some aspects to be reconsidered concerning the role of ESF resources. First of all, the amount available for social inclusion is simply too small, considering the needs; for example, most of the measures implemented in the excluded Roma localities, or the scope of the activities performed by the Agency for Social Inclusion. Second, these resources (among others with respect to the eligible kinds of expenses under ESF schemes) cannot realistically fill the gaps in national investments into pre-school education and child care, the education sector in terms of staffing, or building new social housing and such. Thus, pilot projects, for example, on permeable housing or projects of inclusive education based on individual plans may be successful, but it is difficult to widely disseminate examples of good practice resulting from ESF pilot projects. Third, the adopted strategy by government in several areas aims deliberately to substitute (and outpace) the national resources with ESF resources, which is becoming even more common in times of financial constraint: this is reducing the total impact of the ESF funding.

Addressing child poverty and social exclusion does not represent a specific policy objective. Similarly, children are not often the target group of measures financed by ESF. The social investments of ESF address children rather indirectly. Under sub-axis 3.3 *Integration of socially excluded groups into the labour market*, two relevant target groups are mentioned: single parents and parents returning to the labour market after parental leave. Under sub-axis 3.2 *Support to social integration of people from Roma localities*, Roma children are the target group of the measures of inclusive education, field social work and others. Similarly, sub-axis 3.1 *Integration and social services* addresses, among others, children at risk of social exclusion (threatened children) with preventative and curative measures.

There have been no specific indicators implemented for monitoring the use of ESF with respect to child poverty and social exclusion. There is, however, a monitoring system established which provides evidence on the specific projects, programme calls and priority axes (sub-axes) in terms of inputs, outputs and outcomes (typically resources allocated, number of participants in the measures, sometimes targeting, participants successful in the measures). Monitoring reports are regularly produced at the level of projects and schemes/programmes, supplemented with thematic ex-ante, intermediate and ex-post evaluations of the schemes. The monitoring/assessment system is not flexible enough to provide specific collected information on measures addressing child poverty and social exclusion.

Nevertheless, the total impact of the interventions is important in the sense that it fills the gap in national social investment and makes it possible to design quite complex

and intensive interventions when compared with the national measures in several areas. There are also other positive impacts: the system of the governance of the measures (which are implemented as projects) is leading to the involvement of a range of actors and their cooperation, and also to the recognition of evidence-based policy-making (needs assessment in applications, assessment of the impacts in the project reports). Lastly, the management mechanisms for using EU funds are leading to some extent to better streamlining of the social inclusion objectives – into the calls, projects and activities in several areas.

On the other hand, concerning social inclusion, the scope of intervention is rather inadequate; some areas are addressed only marginally. The monitoring and assessment system needs more flexibility and transparency on the results achieved. One recommendation would be to increase the relative weight of social inclusion measures concerning the distribution of the ESF resources available.

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Vláda 2011. *Analýza podmínek a možností zařazení dětí od dvou let věku do mateřských škol a vyhodnocení dalšího řešení rozšíření péče o děti do tří let*. Praha: Úřad vlády ČR. Available at: <http://www.vlada.cz/assets/media-centrum/aktualne/Analyza-podminek-a-moznosti-deti.pdf>

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<http://www.vlada.cz/cz/ppov/zalezitosti-romske-komunity/aktuality/zprava-o-stavu-romske-mensiny-v-cr-za-rok-2011-100979/>

## **Main internet sources**

Agency for social inclusion

<http://www.socialni-zaclenovani.cz/>

Czech-Moravian Chamber of Trade Unions

<http://www.cmkos.cz/>

Czech Statistical Office

<http://www.czso.cz/csu/edicniplan.nsf/>

DROM

<http://www.drom.cz>

European Anti-Poverty Network

<http://www.eapn.eu>

European Commission

<http://ec.europa.eu>

European Social Fund (Czech Republic)

<http://esfr.cz>

European Union Agency for Fundamental Rights

<http://fra.europa.eu>

Ministry of Education, Youth and Sports

<http://www.msmt.cz>

Ministry of Finance

<http://mfcr.cz/>

Ministry of Labour and Social Affairs

<http://portal.mpsv.cz/>

Ministry for Local Development

<http://www.mmr.cz/>

Institute for information on education

<http://www.uiv.cz/>

Veřejný ochránce práv/Ombudsman

<http://www.ochrance.cz/>

Výzkumný ústav práce a sociálních věcí

<http://www.vupsv.cz/>



