



# Employment and labour market policies for an ageing workforce and initiatives at the workplace

## National overview report: Czech Republic

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## Situation of older workers in the Czech Republic

In the Czech Republic by 2005 the employment rate of 55 – 64 years olds was 44.2% (59.1 % for men and 30.6% for women), while the rates rather steeply decrease with workers' increasing age. In the latter age group of 65 – 69 only 7.9% of the population is employed and the figure is almost twice as high for men than for women (10.7% vs. 5.8%). Employment rates vary also according to education, with higher figures for highly educated people. Especially women have nearly five times higher probability to be employed at the age of 55 – 64 if highly educated. Last but not least we are witnessing important gender differences in the level of self-employment. Czech seniors are almost 7 percentage points below the EU-25 average, but this time the difference is higher for men than for women who are closer to EU-25 average (Aliaga, Romans 2006).

As Aliaga, Romans (2006) and others note, there are important cohort effects in the employment rate developments, showing that younger generations have higher labour force involvement than older cohorts. The same seems to hold for Czech Republic although the cohort effect also relates to policy changes, namely for the closing down of the early exit routes and gradual postponement of the statutory retirement age. These policy measures are the main reasons for a slight increase in the average exit age from 60.7 (M) and 57.3 (F) in 2001 to 61.2 and 59.0 in 2003.

## Role of public actors in fostering active ageing

In public discourse the topic of older workers is a relative novelty. As in a number of European countries it was preceded by an expert debate by demographers about the ageing of the Czech population and its impact on the pension system and the need for its reform. The latest EU trend, which is no longer concerned with age dependence and rather concentrates on the context of labour productivity and economic activity, is finding its way to Czech discussions only slowly and rather sporadically. One of the main reasons is the effect of so-called 'delayed demographics'. Although the Czech population is ageing the first numerous cohorts of post-war generations are only now entering retirement while in the society the numerically dominant group is people in their 30s who were born in the 1970s. The modal age of 31 and the median age of 38 years reinforced with increasing unemployment rates (especially of younger age groups) results in a false sense that ageing does not effect the population of CR (thus far). And this is obviously reflected also in the articulation of these issues in public, political and legislative debates. It seems that it is mainly the commercial sector that is bringing about change. The emerging change of a paradigm is well captured in a recent headline in *Hospodářské noviny*: 'Companies face difficulties: there are fewer people. The young shy away from dungarees' (HN 10 October 2006, pp. 13 and 16). The article is concerned with the fact that there are more people retiring and numerically smaller groups are completing their education which combined with an increasing migration of young workforce abroad results in a decrease in qualified workforce particularly in manually demanding fields such as engineering, steelworks and building. Another topic that appears is age discrimination on the labour market. It is stereotypes about older workers, above all their lack of flexibility, lower education, inadequate language skills, high expenses connected with their work and out-of-date work practices that are addressed. The interest in this issue is related mainly to new sociological research in this area as other sources of information about age discrimination are largely missing. In public discourse the issue of older workers has recently been related to a pilot project *Třetí kariéra* (Third career, <http://www.tretikariera.cz>) supported by the European Social Fund and the Czech government with prestigious companies (such as Škoda Auto a.s. and Delvita a.s.) participating. The project with the slogan 'training rather than early retirement' concentrates on workers aged 50+ and has two main parts: training programs for mid-management aged 50+ and a consultancy program for personnel managers. As the project is linked to a well-known news server <http://www.iHNed.cz> currently the topic of developing the potential of older people is positively covered while we can expect that it will gain further attention when the results of the project are published. It seems to be the case that success depends above all on activities and promotion by the companies themselves. Participation in the project is understood as prestigious and a competitive advantage with a long-term potential.

## **Public initiatives for fostering active ageing**

Employment - including the employment of older workers - is understood as a significant political priority in a number of documents which were endorsed by various Czech governments since 2000. These initiatives go back to 1999, the year that marks the very beginning of significant articulations of issues of ageing within the celebrations of the International Year of Older People. The number and variety of documents and initiatives has been increasing since then while especially in the most recent period this positive development relates to the accession of CR to European Union and the possibility to use finances from common European funds. This, however, does not only involve financial flows but also the impact of ideas emerging from European guidelines and recommendations.

The Czech Republic was one of the first European countries that has passed a thematically very substantial document 'National strategy for preparation for old age in the years 2003-2007' (passed 05/2002). One of its purposes in 2003 to 2007 is to support social partners so that they create conditions necessary for the better employment of older workers. The program stresses equal opportunities on the labour market and the widest possible support for the employment of older workers, including the prevention of age discrimination at work, the identification and analysis of categories that face such discrimination. The program includes recommendations for measures e.g. in these areas: training and re-qualification opportunities for older workers as a priority of an active employment policy; support for adaptability and innovation at the workplace to achieve higher efficiency and competitiveness; increased flexibility and diversity of employment forms, support for temporary and part-time jobs; monitoring of the re-employment of older workers; sufficient management of the development of human resources; creation of suitable conditions in the workplace; involvement of older workers in education and training; support for older people's voluntary activities; implementation and development of a system of life-long education; opportunities to change or increase the level of education for older workers. Individual ministries are responsible for implementation of measures in these areas. However, as the first evaluation of the National strategy from 2005 shows, new measures have been introduced only to a very limited degree.

Within the regularly published National employment action plans, there is a repeated effort to generally increase the attraction of work through the rationalization of the system, increased clarity of expenses, motivation of those on benefits and the prevention of benefit fraud. The Ministry for Labour and Social Affairs together with Job Offices co-ordinates these activities within the framework of employment policies. Older workers are one of the target groups while all the significant areas are addressed: maintaining work ability and qualification of older workers; access to training, introduction of flexible conditions of work and jobs; removing possible disadvantages of (employing) older workers within the tax system; changes in attitudes to older employees and fight against age discrimination.

Within the 'National strategy for preparation for old age in the years 2003-2007' and in the action plan for 2004 – 2006 the Ministry of Labour and Social Affairs was together with other ministries and social partners made responsible for preparing the 'Program for ageing employees' which should include legislative changes and promotional campaigns aiming at influencing the public and employers to maintain the employment of older citizens and it stresses the advantages of employing them. This program has, however, not been developed thus far.

The State Administration of Employment Services is responsible for monitoring and evaluating the Czech workforce. At the same time it is responsible for creating and implementing efficient active and passive employment policies. Among the basic activities of active employment policy we find: re-qualification programs, subsidized jobs, sheltered employment for disabled workers, financial and other subsidies to employers. Employers can gain subsidies within investment offers to create jobs and a partial reimbursement for re-qualification expenses; subsidies when a company is re-structured and subsidies supporting the employment of disabled people.

An important turning point in terms of many of the issues addressed in this and other policy documents is represented by the Act on employment of 13.5.2004 (435/2004). Among others the act takes into account the European Council directive 2000/78/ES which provides the general framework for equal treatment at work and the directive of the European Parliament and Council 2002/73/ES on the equal opportunities for men and women in access to employment, training, promotion and work conditions. § 4 outlaws direct and indirect discrimination and harassment due to age when practicing the right to employment. The act, however, allows exceptions in case the nature of the job indicates that age is a significant and decisive condition for carrying out the job, yet the exception has to be justified and the request adequate. The act recognizes age as one of the possible reasons for increased care when mediating employment and individuals aged over 50 are explicitly listed as one of the threatened groups that require such care. Increased care includes e.g. individual action plans as well as e.g. increased period of support (period over which unemployment benefits are paid) which is 6 months in the case of unemployed aged under 50, 9 months between the ages of 50 and 55 and up to 12 months in the case of those aged over 55.

The operation plan 'Development of Human Resources' forms the basis of the implementation of funds from the European Social Fund in the area of human resources development in CR between 2004 and 2006. The strategy of human resources development for the implementation of this operational program is fully compatible with EU employment strategy. The global aim of the operation plan is the achievement of a high and stable level of employment based on a qualified and flexible workforce, integration of socially excluded groups and companies' competitiveness while respecting the principles of sustainable development. Currently calls are being published with the aim of financing projects supporting the employment of older workers. Companies or firms that specialize in the training of older workers, their re-qualification and above all wider support for their employment (update of work practices, re-qualification, personal training etc.) are supported. Special attention is paid to older people (long-term) registered with Job Offices. In 2005 there were overall 87,200 persons aged over 50 registered, which is 21.3 % of all unemployed and although in total more unemployed women are registered, the share of older unemployed is approximately the same for both genders. Examples of such activities include the project 'Nová šance' (New Chance) aimed at the re-qualification of long-term unemployed aged over 45 for whom it provides training in computer literacy. According to the project's organizer, however, there is no feedback available on the project's success (a place on the labour market) (<http://www.nova-sance.cz>). Similarly the program 'Aktiv' (Active) in the Moravian-Silesian region which is in relative as well as absolute terms most hit by unemployment, concentrates on improving the employment of older unemployed by increasing their social skills followed by a free-of-charge placement with an employer. The report mentions a 59 % success rate. However, this was only a pilot program with an investment of ca. 83,000 EUR helped employ 35 people.

The employment of older workers is influenced by the state of the labour market on the one hand and on the other hand an important (de)motivating role is played by the gearing of the pension system. The amendment to act no. 155/1995 Sb. on pension insurance in accordance with act no. 425/2003 Sb. effective from 1 January 2004 introduced the following measures:

- a. Increase of the age limit (every year by 2 months for men and 4 months for women) for entitlement to retirement until 2013 with the aim of gradually achieving the common limit of 63 years for men and childless women. The retirement age of other women will be differentiated according to the number of children they brought up and that in the range of 59 to 62 years. This gender 'unequal' gearing of entry into retirement for men and women is strongly embedded in the Czech culture and strongly accepted by public opinion.
- b. As of 31.12.2006 the possibility of temporarily reduced early retirement for those on partial disability benefits or formerly on full disability benefits was outlawed. In the case of the second type of early retirement – permanently reduced – legislation remains unchanged.

- c. The condition preventing the combination of income from employment with a pension was scrapped. There remains a clause that those on old age pension can enter employment for a maximum of one year with the possibility of repeated work contracts.
- d. When remaining in employment once entitled to retire and not taking up a pension (or disability benefits) the pension instalment is increased by 1.5% of the basis for calculation after each completed period of 90 calendar days. This means a certain advantaging of a prolonged work career.

These changes brought the already mentioned changes in unemployment rates in higher age groups, however, to achieve the 50% share it remains to increase employment till 2010 by almost 8 percentage points.

Although the social dialogue has a long tradition in CR its importance was relatively weakened after the transformation of 1989. A number of newly founded (respectively newly expanding to CR) companies prefer informal, non-institutionalized dialogue between employers and employees. The National employment action plan 2004 - 2006 states that 'social partners will within collective bargaining aim at including social programs for older employees to ensure their training and development of skills so that they do not have to be made redundant and can be involved in other tasks and also to be able to work for less than the agreed weekly number of hours or in combination with a pension etc. When making employees redundant prefer active measures (counselling, re-qualification) rather than financial compensation' (p.24). Despite that unions do not have a unified, explicitly defined agenda on older workers and collective bargaining, mostly they mention older workers only in connection with financial contribution at work or personal anniversaries. Thus older workers can only use the general advantages in collective agreements. In CR there are also higher collective agreements which are accessible at the website of MLSA, these are between trade unions and employers' unions and conditions stipulated in these are binding for collective agreements in companies. Such an agreement was reached e.g. by trade unions and employers' unions in the building sector. Social partners were active at negotiations about the pension reform in particular in 2002 to 2004, among the most important contributors were the Czech and Moravian Confederation of Trade Unions CMCTU and the biggest employer representative Federation of Industry and Transport of the Czech Republic (see Social dialogue, 2002 for further reference).

Special attention is paid to health and safety at the workplace. To support this effort, the Ministry of Labour provides a 'Safe Company' certificate since December 1996, currently 48 companies hold the certificate which represents ca. 50,000 employees.

## Conclusions

The strong emphasis on the need for pension reform – in public discourse often abused to criticize the ruling parties rather than to constructively appeal for a change of the system (Vidovičová, Sedláková 2005) – to a significant degree overshadows other aspects of the impact of demographic changes on the socio-economic conditions in the Czech Republic. The increased share of employment of older age groups is thus due more to the restrictive "push" factors than positive, pro-actively orientated measures increasing the employment and flexibility of older workers and increasing quality of jobs. This is also linked to the relatively little or rather patchy knowledge of the public about population ageing. This is reflected in the significant overestimation of the share of older people in the population, alarming rhetoric and misunderstanding of some of the basic concepts such as the prohibition of age discrimination as outlined in the new act on employment. This also applied in the case of many employers who literally say 'we do not have any programs for people aged over 50, we do not discriminate'. Another identifiable barrier is the non-existence of an explicitly defined interest group of 50+. The interests of older people and above all older workers do not have, possibly for one exception, their public representative. People are not used to think about 'age' as a work-relevant socio-demographic characteristic. Pro-senior pioneers talk about their initial uncertainty when recruiting their subjects as they were fully aware of the negative connotation of 'senior identity'. At the same time we have increasing evidence about the fact that such

uncertainty is unnecessary as people gradually stop refusing the senior label and cease to understand pro-senior programs as something reserved for fragile seniors in old people's homes.

As already mentioned above the commercial sector will probably play the most significant role in the change of the paradigm. Whether it involves increased demands on the workforce or the recognition of the potential of older customers the commercial sector represents a crucial partner in public policy making in this area. Thus far employers evaluate this partnership as inadequate. A number of very positive and widely conceived documents addressing new challenges linked with an ageing population has not yet transgressed the realm of proclamations without concrete subsequent actions and unfortunately still remains in the shadow of 'everyday politics'.

Aliaga, C., Romans, F. 2006. *The employment of seniors in the European Union*. Statistics in focus 15/2006. Eurostat. ISSN 1024-4352.

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