



**National Observatory of Employment and Training  
Czech Republic**

**Short Country Report  
on Recent Developments in Education, Training and Employment Policy  
Czech Republic**

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Short Country Report  
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CZECH REPUBLIC

## **1. Background information**

### **1.1. Economic developments<sup>1</sup>**

The rate of GDP growth increased from 2.9% in 2000 to 3.3% in 2001.

The developments in the 1<sup>st</sup> half of 2002 have confirmed that the Czech economy finds itself in the growth stage of the economic cycle, although the growth dynamics has slightly slowed down. Still, the year-on-year increase of 2.6% is very good in view of the considerable economic downturn in the world and better than in most developed countries. The Czech economic environment has been affected by a one-off move aimed at toughening the foreign exchange regime due to rapid revaluation of the crown. Over the 1<sup>st</sup> half of 2002 the crown scored an average revaluation of 7% and 13% against EUR and USD respectively. The factors beneficial for the crown included expectations of a further inflow of direct foreign investment and a positive perception of the economic development in relation to the approaching accession to the EU, as well as a turn on the euro-dollar market which opened up a way for the crown to appreciate strongly against American currency.

Foreign trade turnover decreased by over one third in 2001 in comparison with 2000 – however, in international comparison it remained very high. The CR therefore increased its share in global trade turnover from 0.44% in 2000 to 0.56% in 2001.

In 2001 the ratio of imports to GDP was 74.5% (74.1% in 2002). The ratio of exports to GDP was 71.4% in 2001 (70.5% in 2000). This means that the Czech economy is more open than in Austria, but less open than in Belgium, Ireland and Luxembourg.

Foreign trade structure did not change considerably in 2001. The proportion of trade with the EU in total foreign trade turnover was 65.2% - slightly higher than in 2000. Germany accounted approximately for 33% of imports and 38% of exports. The most recent data from the beginning of 2002 show a declining proportion of Germany in Czech foreign trade. Despite this exports to Germany (or rather EU) still constitute the largest share in total exports from the Czech Republic.

Industry has retained an important position in the national economy with its share in GDP of 35% in 2001. In recent years there has been considerable progress in changing the industry structure and shaping a new specialisation profile of the Czech economy. Evidence of this is the growth of four most dynamic industries – manufacturing of transport vehicles,

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<sup>1</sup> Source: Analysis of Macroeconomic Development of the CR in 2001, Czech Statistical Office, May 2002  
Analysis of the Development of the CR's Economy and Industries within the Purview of the MoIT in the 1<sup>st</sup> half of 2002, Ministry of Industry and Trade, October 2002

rubber and plastics industry, production of electrical and optical devices and production of machinery and equipment for further production. Their share in industrial output went up from 16% in 1995 to 32% in 2001. Industrial output increased by 6.5% in 2001.

▪ **Privatisation**

Privatisation of the Czech banking sector was completed in October 2001. In May 2002 a strategic stake of the state in Czech gas utilities was privatised. Preparations are under way to privatise telecommunications. The latest developments show that the latter sale will not take place due to the low price offer. As a result, free competition in the telecommunications market will continue to be restricted.

Through the National Property Fund (NPF) the state still retains significant stakes in some 199 companies within the corporate sector. Among them, there are 21 strategic enterprises, especially in distribution network sector (energy, fuel, gas), metallurgy, chemistry, heavy engineering, telecommunication, air transport<sup>2</sup>.

The Czech Railways s.o. (state organisation), which provides for nearly all railway transport in the CR, continues to be fully owned by the state.

**Tab. 1**

▪ **SMEs<sup>3</sup>**

**Share of SMEs in Overall Employment and Outputs, in 2001**

	Share in employment ( in %)	Share in outputs (in %)
	2001	2001
Industry	46.97	34.99
Construction	79.40	67.09
Trade	81.33	85.84
Hotels and restaurants	89.34	83.72
Transport	25.52	44.67
Financial intermediation	19.40	21.9
Other services	80.26	87.99
Agriculture	82.46	84.65
Total	59.73	51.44

Note: SMEs are enterprises with 0-249 employees, including „own account workers“

Total employment in SMEs scored a year-on-year increase of 0.26% in 2001 – this applies particularly to industry and trade. The proportion of SME employees increased in trade and transport in 2001.

SMEs’ performance increased by 5.2% compared to 2000. The highest increase occurred in industry (9.1%).

The proportion of “own account workers” in total employment increased from 10.5% (4<sup>th</sup> quarter 2000) to 11.2% in 2<sup>nd</sup> quarter 2002. The whole group of the self-employed

<sup>2</sup> As of 30<sup>th</sup> September 2002

Source: National Property Fund

<sup>3</sup> Source: Czech Statistical Office, calculations provided by the Ministry of Industry and Trade 2002

containing other categories in addition to “own-account workers” accounted for 15.2% of total employment<sup>4</sup> in 2<sup>nd</sup> quarter 2002.

## 1.2. Labour Market

### ▪ Characteristics of the labour force

The rate of economic activity of the CR’s population has slightly decreased. In 2<sup>nd</sup> quarter 2002 it was 59.7%<sup>5</sup>.

**Tab. 2**

### The rate of economic activity by age and gender (2<sup>nd</sup> quarter 2002) (%)

Gender	Total	Age Group			
		15 – 29	30 – 44	45 - 59	60+
Males	69.3	64.0	96.9	88.3	13.2
Females	50.8	46.1	83.8	72.1	4.9

Source: Employment and Unemployment in the CR According to Labour Force Sample Survey, 2<sup>nd</sup> quarter 2002, Czech Statistical Office

### Workforce Age Structure (2<sup>nd</sup> quarter 2002):

Workforce .....	100.0%
15 - 29 .....	25.4%
30 - 44 .....	36.1%
45 - 59 .....	35.4%
60+.....	3.1%

Source: Employment and Unemployment in the CR According to Labour Force Sample Survey, 2<sup>nd</sup> quarter 2002, Czech Statistical Office

### Workforce Education Structure (2<sup>nd</sup> quarter 2002):

Workforce .....	100.0%
Education: Basic (ISCED 1,2).....	8.7%
Secondary without “maturita” (ISCED 3) .....	43.8%
Secondary with “maturita” (ISCED 3,4).....	35.0%
Tertiary (ISCED 5,6) .....	12.5%

Source: proportions calculated by NOET according to Employment and Unemployment in the CR according to Labour Force Sample Survey, 2<sup>nd</sup> quarter 2002, Czech Statistical Office

### 1.2.1. Employment<sup>6</sup>

#### ▪ Structural changes in employment (breakdown by sector, regions, occupations)

Since 2001 there has been a slight increase in employment as a result of economic recovery. The most important factor was a growing number of new jobs particularly in foreign and international companies. The average number of employees in all sectors of the national economy was 4,772.8 thousand in the 1<sup>st</sup> half of 2002 – i.e. 46.6% of the population. Compared to the same period of the previous year this figure increased by 29

<sup>4</sup>Source: Employment and Unemployment in the CR According to Labour Force Sample Survey, 2Q 2002, Czech Statistical Office

<sup>5</sup> The rate of economic activity is calculated as a proportion of the economically active in the population aged over 15.

Source: Czech Statistical Office, Labour Force Sample Survey, 2. Q 2002

<sup>6</sup> Source: Analysis of Development of Employment and Unemployment in the 1<sup>st</sup> half of 2002, Ministry of Labour and Social Affairs, September 2002

thousand, i.e. by 0.6%. The proportion of employees in total population went up by 0.4% percentage point year-on-year.

In terms of regions the largest increase in employment in the 1<sup>st</sup> half of 2002 occurred in Central Bohemia (by 19.1 thousands) and Moravia-Silesia (by 15.9 thousands). The most severe fall occurred in Prague (by 5.5 thousands).

Employment increased in absolute figures in all three sectors of the national economy. The proportions of the individual sectors in total employment remained the same.

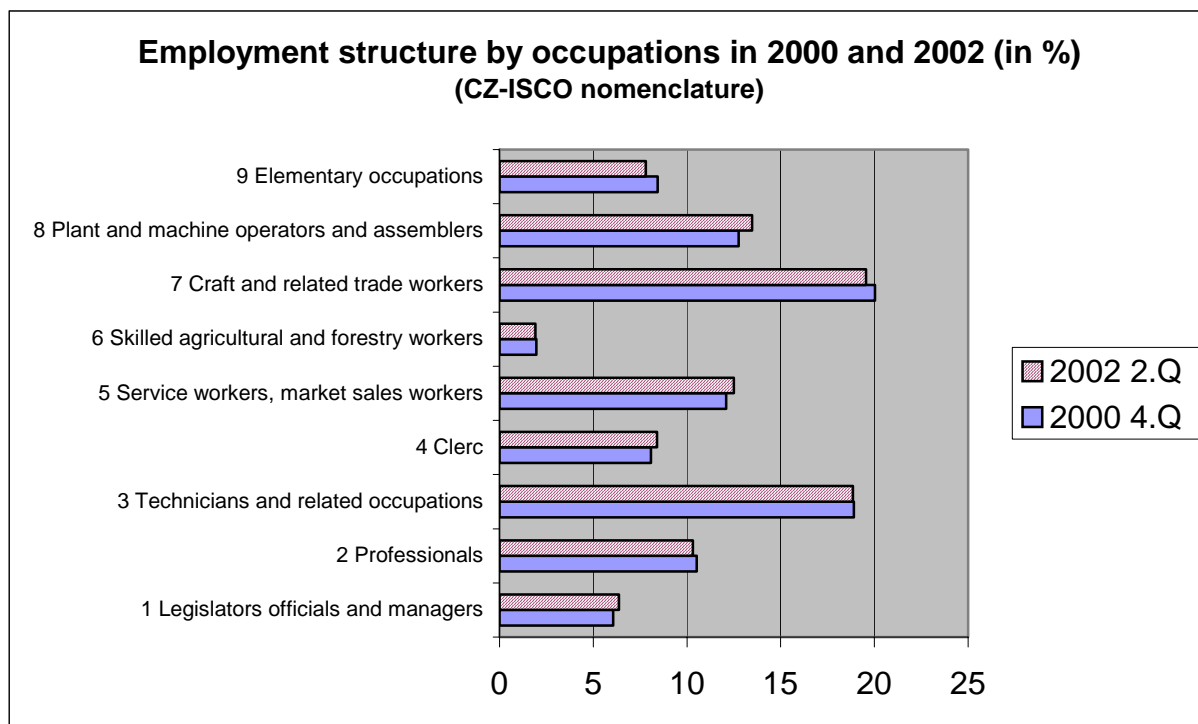
### Employment Structure by Sectors

- primary sector.....4.8%
- secondary sector .....39.8%
  - of which:
  - industry.....31.0%
  - building construction.....8.8%
- tertiary sector.....55.4%

In secondary sector it was industry, particularly manufacturing industry, which accounted for the increase in employment. There was a further decrease in employment in building construction in the 1<sup>st</sup> half of 2002.

In tertiary sector there was a year-on-year increase in employment in hospitality and accommodation, trade, repairs of motor vehicles and consumer goods, transportation, storage, posts and telecommunications. The largest decrease in the number of employees occurred in public administration, defence, social security, finance and insurance.

**Graph 1**



Source: Employment and Unemployment in the CR According to Labour Force Sample Survey, 2<sup>nd</sup> quarter 2002, Czech Statistical Office  
 Calculations: NOET

▪ **Employment of graduates (by educational attainment levels)**<sup>7</sup>

The situation of school leavers in the labour market is a subject of continuous attention. The provision of counselling services and instruments of active employment policy assist graduates in entering employment. Despite the fact that graduate unemployment is much to do with the overall economic situation in the country including, *inter alia*, the total rate of unemployment and the vacancies available, it is not the only factor. School leavers as a group of job seekers experience the disadvantage of lacking practical experience and are also vulnerable in terms of socio-pathological disorders. Moreover, their chances in the labour market are affected by their qualification structure. Objective assessment of graduate unemployment is more based on the rate of unemployment than on the absolute figures. When employment prospects of graduates are assessed by their level of education it is clear that there is a direct qualification-employment link. In April 2002 the rate of unemployment among individuals with vocational education without “maturita” was 23.8%. It was 25% among those with vocational qualification with “maturita”, secondary technical school leavers had 20.8% unemployment, *gymnázia* graduates 9.6%, higher professional school graduates 9.9% and university graduates only 6.3%. Compared to April 2001 there was a year-on-year increase in the rate of unemployment in all groups, except in the first group (vocational qualification without “maturita”) where it declined by 8.9 pp.

**Tab. 3**

**The monthly average number of unemployed graduates and juveniles (in thousand) and the proportion of graduates in total unemployment (in %) - 1996 – 2001**

Year	Number of unemployed graduates (in thousand)	Proportion of graduates in total unemployment (in %)
1996	22.7	13.9
1997	33.9	14.9
1998	51.9	16.1
1999	69.5	15.5
2000	63.0	13.5
2001	54.8	12.3

**Tab. 4**

**Overview of graduate unemployment April 2001, April 2002**

Level of education	Situation – April 2001		Situation – April 2002	
	Number	Unemployment rate (%)	Number	Unemployment rate (%)
Vocational without “maturita”	16,936	32.7	20,470	23.8
Vocational with “maturita”	6,108	19.0	4,234	25.5
Secondary technical	9,666	15.9	11,810	20.8

<sup>7</sup>Source: Nezaměstnanost absolventů škol se středním a vyšším odborným vzděláním (Unemployment among Graduates from Secondary and Higher Professional Schools); Festová, J. Vojtěch J., Praha 2002

Higher professional	1,153	8.0	1,561	9.9
University	2,435	5.1	3,121	6.3

Another issue which is often discussed is the professional structure of school leavers seeking employment. After the 1990 liberalisation major changes occurred in the number of students in various programmes both in secondary vocational and secondary technical schools. A principal feature of these changes is – in addition to the reversal of the 60:40 ratio of courses without “maturita” to those with “maturita” - a considerable decline in the number of students in technical fields and an increased number of students in courses focused on business and services (particularly those with “maturita”). These changes came in for criticism expressed by secondary vocational schools focused on mechanical engineering which, in the past, trained over one fourth of students at this level, and by employers. The media coverage of this issue raised further concerns as it implied a direct link between the high unemployment of school leavers and their inappropriate vocational qualification structure. The main mismatch between the supply of vocational training and the labour market demand was seen in “overproduction” of graduates with business qualifications compounded with insufficient numbers of graduates with engineering qualifications. This problem is described as chronic in view of the relatively stable, high demand for qualifications such as turner, toolmaker or fitter. There are currently strong requirements on the part of some employers for higher numbers of graduates from mechanical and electrical engineering courses. A paradox is that such requirements are made while there is high unemployment among these graduates as well as a high rate of unemployment in general. Taking account of information from other sources a conclusion can be drawn that such requirements express efforts to secure cheap labour in fields where older workers lack faith in their companies’ prosperity in the longer term and are not willing to accept the existing work and pay conditions.

### 1.2.2. Unemployment

- National, regional, sectoral situation
- Unemployment by age and educational attainment level
- Situation of disadvantaged groups

In the 2nd half of 2001 the rate of unemployment covered at around 8.5%. It increased to 8.9% in December 2001 and to 9.4% in January 2002. These two months are marked by historically highest numbers of newly registered job-seekers, while the numbers of job-seekers taken out of the unemployment registry were also among the highest in history.

This meant a rise in unemployment again, after the favourable developments in this area in 2000 and 2001. The higher increase in unemployment in December 2001 and the subsequent slower decrease in unemployment in spring 2002 resulted in a year-on-year increase of 0.3 to 0.9 percentage points. In October 2002 the rate of unemployment was 9.3%.

Regional differences are still large. In view of the changes taking place as a result of restructuring of heavy industry and phasing-out of mining, unemployment in areas most severely affected by this cannot be expected to change dramatically. In October 2002 the rate of unemployment in NUTS 2 – Moravia-Silesia (the Ostrava region) was 15.3%, in NUTS 2 – North-West 14.5% (part of it is NUTS 3 – Ústí nad Labem where unemployment was 16.4%). On the contrary, Prague continues to score the lowest unemployment (3.8%).



The unemployment rate is also low in NUTS 2 – South-West (6.3%) and NUTS 2 – Central Bohemia (6.9%).

Increased unemployment has meant an increase in absolute numbers of job-seekers in all age groups. Young people up to 25 account for some 25% of job-seekers (as of 30.9.2002 it was almost 28% due to an inflow of new school leavers). Although their number as well as proportion is high, their number increased by 10% from September 2001, while the total number of job-seekers increase by 11.9%. Another important factor that must be taken into account is that, because of the introduction of compulsory nine-year basic education, incomplete grades of students left secondary schools in 1999/2000 and in 2000/2001. Despite this, this age group ranks among the most disadvantaged groups in the labour market. In relative terms, there was a slight decrease in unemployment in all age groups apart from the 25-29 and 50 plus groups.

A significant year-on-year increase (25.8%) in unemployment occurred in the group aged over 50. Their proportion in total unemployment has been growing and accounts for 18.7%. This has been caused by the deteriorating employability of elderly people, and the increased age limit for retirement has worsened the situation even further.

There have not been major changes in terms of educational attainment of the unemployed – the largest group (39%) are people with vocational qualifications without “maturita”. A problematic group are individuals with incomplete education or with basic education – their proportion in total unemployment is 31%. While the specific rates of unemployment for all groups by educational attainment are lower than the general rate of unemployment, the specific rate of unemployment among individuals with no education and with basic education is almost 30%. University degree holders score the lowest specific rate of unemployment – 2.4%.

People facing disadvantages in the labour market include, apart from young and elderly people and people with a low level of education, women, particularly those who look after small children, and the disabled.

The proportion of women in total unemployment has not changed considerably (50-51 %). Since the proportion of women in total employment is lower than that of men, there are more unemployed women than men. This difference is 3 percentage points. The more difficult position of women-mothers is evident from specific rates of unemployment (SRU) among women of the age when most of them perform motherhood-related duties – i.e. approximately up to 35. The SRU in the group up to 25 is 18%, in the 25-29 age group it is 11.6% and in the 30-34 group 11.8% - above the general rate of unemployment among women. As regards unemployment of men, it is only the SRU for the group up to 25 that is higher (18.7%) than the general unemployment rate among men.

Despite various measures promoting employment of the disabled, the situation of this group in the labour market is still difficult. A positive development is that, in spite of growing unemployment, their proportion in total unemployment has remained almost unchanged (13.2%).

Disadvantaged persons account for a major part of the long-term unemployed. Their absolute numbers are growing, but this increase is slower than the increase in total unemployment (consequently, the number of the long-term unemployed has slightly decreased). Individuals who have been unemployed for more than 1 year currently account for 37.3% of total unemployment, which represents a year-on-year decrease of 1.4

percentage points. There has been a favourable development as regards the proportion of the long-term unemployed. One negative phenomenon is the fact that the job-seeker's average registration period has become longer (in September 2002 it was 475.7 days, while in the previous year it was 459.5 days). It is clear from the length of unemployment of those who were taken out of the registry in 3 Q 2002 that individuals who are unemployed for a shorter period find jobs more easily. This indicator showed a slight year-on-year decrease from 220.5 days in 2001 to 216.2 days in 2002.

### **1.3. Demographic development**

The major trends in population developments are described in the previous versions of the National Report on Modernisation of Vocational Education and Training in Transition Countries. No changes occurred in the period under review. A slow population decline continues due to natural loss where the number of deaths is higher than the number of births.

As at 31.12. 2000 the population was 10,266,546 (source: Statistical Yearbook of the CR 2001, ČSÚ), as at 31. 12. 2001 it was 10,206,436 (source: Districts of the Czech Republic 2001). This means decline by 0,6%.

### **1.4. Skill needs assessment**

#### **▪ Assessment and forecasting mechanisms in place (national, regional, sectoral level) and new developments under way**

Analysis and forecasting of skill needs on the labour market were mentioned as one of priorities in the Long-Term Plan for the Development of Education and the Education System in the CR, and in the National Action Employment Plan. The latter also devoted special importance to establishing mechanisms for identification and monitoring of skill shortages on the labour market. There has been some progress in development of assessment and forecasting mechanisms, mainly deriving from the main approaches and tools elaborated under earlier projects (see more 'Modernisation of Vocational Education and Training in Transition Countries' 2001). We list them below.

1) The National Institute of Technical and Vocational Education (NITVE) currently develops An **Information System concerning the Position of School Leavers in the Labour Market (ISA)** which is based on the results of the former project 'School leavers'. It intends to provide the relevant information, among others, to career counsellors at schools<sup>8</sup>. The ISA implementation depends on whether or not appropriate financial and human resources will be available for implementation of specific measures of the Long-Term Plan. The system is designed to be open, and one important feature of its implementation will be establishment of links to other existing information systems.

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<sup>8</sup> The system will make it possible to collect, process and analyse the relevant data (economic development, demographic changes, labour market (employers') requirements, development of the education system), and gradually to forecast future developments in the labour market and employment opportunities for school leavers. This information will be provided in an appropriate form and time to users. The users of ISA outputs will include, apart from educational counselors at schools and other counselling services providers, prospective students and their parents, employers and last but not least senior officials at various levels of government (particularly the MoEYS and MoLSA, labour offices, regional authorities). The information may help them in drawing up policies and strategies for the development of education.

2) **The econometric forecasting model**, created in the framework of the Leonardo da Vinci project 'Forecasting skill needs' under the leadership of the National Observatory of Employment and Training (NOET) in cooperation with the Centre for Economic Research and Graduate Education of Charles University (CERGE-EI) and a number of European partner institutions, was handed over to the Research Institute of Labour and Social Affairs (RILSA) for further tuning and regular projections. The Ministry of Labour and Social Affairs (MoLSA) provides financial support for these activities. RILSA produced the updated forecast by occupation clusters and types of education for the period of 2002-2006. The forecast is now being commented by main partners. The NOET in cooperation with RILSA will provide verification steps with the help of qualitative methods (expert opinions, company survey). The results shall be available at the beginning of 2003. The forecast still suffers from certain data insufficiency and too broad definition of clusters and types. Thus, the NOET, CERGE-EI and RILSA developed an action plan for model tuning for 2003 (subject to financial support). Unfortunately, the methodological development cannot solve some general problems of data unavailability (e.g. macroeconomic employment forecasts) or irregular and limited financing. These problems are subject of another activity of NOET (see further).

NOET continues the efforts into **qualitative research in the area of early recognition of skill needs**, the basis of which was also elaborated in the framework of project 'Forecasting skill needs'. Elaboration of methods for sectoral and/or regional analyses takes into account such approaches, as sectoral scenarios and the experience of the regional Observatories in France. Furthermore, NOET attempts to integrate a number of efforts in the area of analysis of skill needs by supporting verification of the results of the econometric forecasting by occupation and education with the help of surveys, focus groups and expert opinions. The task for next year will be to organise a survey by means of the Delphi methodology in order to verify interim outputs of the quantitative model produced by RILSA. Such activity shall improve the validity of the results and allow their publication. A long-term objective is to harmonise some structural aspects of the quantitative model and of the Integrated System of Type Positions (ISTP) by linking the occupational clusters in both. ISTP links the highly stratified fields of the Czech education system to a catalogue of occupations, providing a labour market forecaster with a solid base for aggregating occupations and translating macroeconomic forecasts into information on the quality of qualifications and skills required.

3) Another project supported by MoLSA and currently implemented by NOET deals with **developing a methodology and conducting a pilot analysis of skill shortages and shortage occupations** in the Czech Republic. The analysis includes an investigation of existing methods, a questionnaire survey among regional employment services on repeatedly announced job vacancies, analysis of vacancy advertisements in the media, a survey among 800 companies, an analysis of needs and shortages recorded by investors, and others. Identifying and monitoring skill shortages on the Czech labour market should then become an integral part of the overall system of early identification of skill needs.

4) **Activities at regional level** are driven by decentralisation of state and public administration, where newly created regions need analytical background information for the policy design and decision making.

The Ministry of Education has developed the Long-Term Development Plan of Education and Education System, which provides the framework for development of the Long-Term Plans of Education and Education System in regions. The latter documents – under

preparation – are to identify the main priorities of regions and implementation for the period of 3 to 6 years. The plans then will be reproduced every two years and should take into account the evaluation of previous implementation period. The plans have to be based on the thorough analysis of development trends not only in the area of education but also of the labour market. Furthermore, the regions, where the Councils for Human Resource Development (CHRD) have been established, feel the need in thorough analyses and forecasting of labour market needs at the regional level to support their strategic decisions and for information provision for regional self-government.

The capacities for realisation of activities related to identification of future needs in skills and qualifications vary across regions. There are some examples of good practice. For instance, a structured information system, similar to ISA but at regional level, is planned to be developed within the Phare 2000 programme (**Regional Information System concerned with Employment of School Leavers – RISA**) in the Moravia-Silesia region. Apart from a number of regional bodies (e.g. regional authorities, labour office Ostrava), the NITVE will be involved in the project. Its task will be to establish methodological links between the national and regional ISA systems. In addition to ISA information, the RISA system will contain regional information reflecting the specific conditions and peculiarities of the region. The testing of the Moravia-Silesia regional system will allow for implementation of similar systems in other regions – a step proposed in several regional long-term plans.

There are some promising **attempts to elaborate the methodology of forecasting at the regional level<sup>9</sup> based on available statistics**. The CHRD of the Zlín region established a working group on diagnosis of demand for human resources. This group in cooperation with labour offices, Trexima Ltd. and other regional partners attempts: to estimate the current qualification structure of the employed population of the region on the basis of social security statistics combined with the data on earnings and regional LFS data; to conduct a survey among 1600 regional companies on estimation of professional structure of their employees up to 2005; to compare the outlook on the offer of labour force (school leavers, the unemployed) with the demand side of the regional market. These results can be compared in future with analysis and forecasting methods at the national level.

The regional attempts on early recognition of skill requirements are subject to financial capability of regions. Due to scarce regional funds such activities are often implemented on the project basis. While project-based funding is helpful under the circumstances, this arrangement does not contribute to a regular and systematised approach.

5) The greatest challenge is to ensure that the various methodological approaches complement one another in identifying skills needs and that the system works regularly. This will require developing interinstitutional cooperation for data supply, interpretation and dissemination as well as producing a system for ordering, tendering, financing and recognising results of analyses of skill needs. A major development will be to ensure legitimacy of the system, whereby tripartite arrangements (between both sides of the industry and the government) are indispensable.

MoLSA supports **a project on designing the scheme of the system of regular forecasting and early recognition of skill needs in the Czech Republic at different levels**. The project is implemented by NOET. The scheme shall incorporate the efforts of various

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<sup>9</sup> The forecasting econometric model is not designed for the regional level due to limited sample of the LFS.

institutions and levels and suggest certain principles and funding mechanisms in order to ensure a regular and systemic approach. First results at the end of 2002 will be available for discussion with partner institutions in Prague and in selected regions.

NOET has also come up with a proposal to set up a national, Web-based, information platform to incorporate information on various activities in early recognition of skill needs at national, regional and local levels. Such platform can be a useful reference point for researchers and practitioners. Such platform shall bring together research outputs applying conventional macroeconomic quantitative forecasting and those performing qualitative research to enable both sides to share their experiences and find common solutions.

▪ **Results of assessment activities**

Evidence from different surveys in the Czech Republic shows that almost 90 % of companies increased demands for quality of the workforce over past two years. Restructuring and the high rate of technological change in CEECs brought about the problem of skill gaps and qualification shortages. In more dynamic and new technology-oriented sectors about half of companies are aware of skill shortages on the labour market and one third of Czech companies consider skill shortages a problem. The higher the level of occupation, the more skill shortages are reported by firms. The shortage skills reported across sectors and levels of occupations are mostly social skills, foreign languages, IT skills, and most importantly ability and preparedness to learn.

About one quarter of all companies experience recruitment difficulties at all occupational levels. However, the reasons are different: lower skill occupations are often difficult to fill because of poor working conditions, lack of job stability, low wages, etc., while more skill demanding vacancies are often difficult to fill because of shortage of appropriate qualifications on the labour market. Shortage occupations so far have been reported sporadically. Most were either specific with hybrid specialisation requirements (such as doctors with clinical accreditation for work in spas, publicity workers with thorough ICT skills for work in tourism), or linked to fast developing businesses in dynamic industries (e.g. IT educators, programmers, system analysts, etc.). The qualitative change on the labour market is also shown in changing occupational profiles. Although the latter are reported by a minor proportion of firms, multiskilling and job interchange are introduced by over 40% of employers leading to a larger share of hybrid occupational profiles and demand for combined skills.

▪ **Impact on policy development (HRD in the context of lifelong learning and response to labour market needs)**

Due to recent character of skill need assessment initiatives, there could be little impact over the policy development. The general demand for higher qualified and flexible, adaptive, ready-to-learn workforce has been taken into account in a number of strategic documents, mentioned in our previous analysis (see more 'Modernisation ...'). However, as we have already mentioned, the recent process of decentralisation of the school administration and introduction of regional self-government provides the basis for a much better reaction to the local labour market demands.

**2. Recent developments in education and training (IVET and CVT) in a lifelong learning perspective**

## 2.1. Policy development

The political framework for the development of education policy was strongly affected by the election to Czech Parliament's Chamber of Deputies in June 2002. The new cabinet, which includes a new Minister of Education, is formed by a coalition<sup>10</sup>. The cabinet's work is based on its **Policy Statement** which sets out support for education, science and culture as one of the priorities. As regards vocational education and training<sup>11</sup> the **cabinet has identified the following main tasks for the following four-year period:**

- To complete the reform of education with the aim to develop a permeable and integrated **education system focused on life-long learning.**
- **To focus modernisation efforts in education on the development of key competencies, improvement of foreign language teaching, promotion of information literacy and civic education and on professional training.**
- To put forward, as soon as possible, an education bill. The structural and content-related changes will revolve around:
  - **Framework educational programmes** for individual levels and fields of education,
  - **A reform of school-leaving procedures at secondary level** (national part of "maturita", final examinations),
  - The necessary development of diversified forms of tertiary education and **adult education.**
- In its education-related activities the cabinet respects **the principle of shared responsibility of the centre, regions, municipalities and schools**, where the devolution of powers results in the government's taking over the responsibility primarily for policy-making, supervision and methodology. Its role will be that of a co-ordinator ensuring coherence of the Czech education system and guaranteeing its quality.

**The Strategy for Human Resources Development for the Czech Republic** developed by the NTF with PHARE assistance and presented at a national conference in 2000 was on the agenda of a plenary session of the Council for Economic and Social Accord – CESA (tripartite) on 18 April 2002. The plenary session recognised the material to be a qualified basis for developing a government material.

The Strategy was discussed in October 2002 at a meeting of the CESA's working team for education and human resources and will be put forward, in a revised form, to the tripartite body still this year. Since after the general election and formation of a new government in 2002 a new position of a deputy prime minister for science, research and human resources was established, it has been decided that the commented Strategy will be submitted to the government jointly by the deputy prime minister, the minister of labour and social affairs and the minister of education, youth and sports.

## 2.2. Adaptation of the legal framework

Towards the end of the previous cabinet's term of office the MoEYS passed on to Parliament a **re-drafted education bill**. Neither was this second attempt successful as the

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<sup>10</sup> Coalition partners include majority CSSD and a right-wing coalition of Christian Democrats, the People's party and Freedom Union.

<sup>11</sup> The Policy Statement also deals with the development of tertiary education, career development of teachers, expenditure on education, the position of various school founders etc.

Chamber of Deputies rejected the bill again. The new education bill was controversial in political terms – particularly in the area of funding. As regards vocational education and training, there were important parts of text concerning new curricula policy based on framework and school-set educational programmes, and also reform of school-leaving procedures at secondary level. The rejection of the bill may therefore slow down the reform (see 2.4). On the other hand, **the bill concerned only initial education and did not respond to the need for closer links to continuing education.** In this respect, its rejection may facilitate progress in the desired direction.

So far there is no law on continuing education which would define **responsibilities for CVT**. However, the MoEYS has proposed as part of its Long-Term Plan that the law should be drafted in 2003 (see above). Division of responsibilities for CVE (particularly between the MoEYS and MoLSA) still poses problems. The NTF drafted a material at the initiative of the MoLSA which designates the responsibilities. For the same reason the relevant provisions have been drawn up to be included in an amendment to the law on responsibilities of public authorities, which is under development.

### **2.3. Governance and responsible bodies**

**The new government recognises the importance of human resources development for the economic and social development of the country.** This is why, for the first time, it has entrusted one deputy prime minister with responsibility for science, research and human resource development. One of the first steps he intends to propose to the cabinet is the establishment of a **Council for Human Resources Development**. The Council will be chaired by the deputy prime minister and will be the cabinet's advisory body, and initiator and co-ordinator of developments in the sectors of education and employment.

This new position and Council should play an important co-ordinating role particularly as regards co-operation with other stakeholders in the area of HR – not only at the ministerial level (MoEYS, MoLSA, MRD, MIT etc.). The establishment of the Council is strongly supported by **representatives of social partners** who will become its important members.

The on-going **reform of public administration** (the creation of 14 regions) has brought about **new relationships between its levels**. The devolution of responsibilities for setting up and administration of secondary schools to regional bodies has taken place without serious setbacks. On the other hand, the clash in May and June this year between several regions and the MoEYS over additional financial resources to increase the pay of education sector employees has highlighted certain outstanding problems – particularly the necessity to find a systemic and transparent solution to the issue of funding.

In April 2002 the government acknowledged the so-called **Long-Term Plan for the Development of Education and the Education System** prepared by the MoEYS, and assigned to the Ministry of Education the implementation of the aims set out in this document. The principal strategic aims for the development of education in the Czech Republic which are formulated in the Long-Term Plan include:

- To reform and streamline the aims and content of education
- To reform secondary school leaving procedures
- Promotion of quality, monitoring and evaluation of educational outcomes
- Development of an integrated diagnostic, information and counselling system in the area of education

- Optimisation of the educational provision and the institutional structure of schools administered by regions
- To improve the working conditions for teachers and school managers
- Establishment of public HE institutions of non-university type and development of other forms of tertiary education
- Development of continuing education as part of life-long learning.

**Since the beginning of 2002 regions have been working on similar documents** (in line with the law, they should be completed in March 2003). They contain measures to promote the development of VET, to “rationalise” the schools network and courses on offer, as well as to facilitate closer links to labour market needs.

**Rationalisation of the network of schools and courses they offer** should reduce superfluous capacity, ensure that available resources are used efficiently and that VET courses meet the needs of regional labour markets. The process of so-called “optimisation” of the network of schools, which was initiated by the Ministry in 1997 with similar objectives, was not completed. As part of the new division of responsibilities, proposals for and implementation of specific measures fall within the purview of regions. The central Long-Term Plan sets out general rules for the development of educational provision, and the regions formulate their specific objectives in line with their medium- and long-term needs, specific conditions and the current state of affairs. However, the final decision (accreditation of a specific programme provided by a specific school and its consequent inclusion into the school registry) is still up to the Ministry. The most important factor conducive to successful rationalisation of the network of schools and courses in the new circumstances is the involvement of all relevant stakeholders.

The fact that the development of these strategic documents follows an agreed methodology and, most importantly, that they **are consulted with the government and other stakeholders on an ongoing basis and in line with an agreed schedule** is a very important feature. This mutual communication is important for striking the right balance between the centre and the regions as regards their influence on the development of the education system including VET.

The development of VET and ensuring its maximum relevance in relation to labour market needs are impossible without the **involvement of social partners** (influencing the policy and content, co-operation in educational provision and in evaluation of its outcomes). The situation in the CR as regards this issue is far from satisfactory.

At the National Institute for Technical and Vocational Education so-called “**field groups**” were set up a couple of years ago with the authorisation of the Ministry of Education. Their members are external experts who jointly develop VET programmes. For a long time the work of the field groups was hampered by the fact that their members were mostly experts in education. **Over the previous year the memberships has changed** so that, in October 2002, **representatives of social partners accounted for around 38%** of nearly 280 members of 24 field groups.

Promotion of involvement of social partners in the development of VET is also the aim of a number of international projects in which the Czech Republic takes part.

Promotion of the role of social partners in the development of vocational education is the objective of several international projects in which the Czech Republic participates. One



example is a **Czech-Dutch project entitled “Social Partnership in Vocational Education”**. Its main objective is to secure involvement of employers, trade unions and other social partners in the development of educational curricula at secondary schools. The second stage of the project called **“Dialogue for Education and Practice”** was launched in July 2002. The project, which is part of the **MATRA** programme, is run by the Dutch Ministry of Foreign Affairs and by the MoEYS and MoLSA of the Czech Republic, and co-ordinated by the National Institute for Technical and Vocational Education.

The outcomes of the project will contribute to modifications of the work of so-called “field groups” in terms of content and methods (see above). New methods are being piloted in the food industry, trade and electrical engineering and it is envisaged that involvement of social partners in the development of curricula and methods will be extrapolated to cover the whole range of initial vocational programmes.

At regional level, various institutions have launched their operations (i.e. regional human resources development councils, chambers of commerce, labour offices, regional authorities) which aim to match the needs of the labour market with the training provision. These activities vary considerably and range from mere proclamations to co-ordination, specific solutions and analyses coupled with proposed measures for implementation. Since there are no clear regulations, the range and depth of the activities depends on the initiative of the bodies and individuals who have been entrusted with the task of human resources development in the regions. For example, the South-Bohemian chamber of commerce in co-operation with the regional authority and labour office undertook a study entitled „A Survey into the Needs of the Labour Market and the Education System in South-Bohemian Region“. Another example is a survey of the future demand for the workforce in the Zlín region, which was carried out as part of an initiative of the Council for Human Resources Development of the Zlín region.

## **2.4. Modernisation of the education and training system**

### **▪ Changes in curricular policy**

The National Programme for the Development of Education in the CR (the “White Paper”), which has been approved by the government, envisages the development of **framework educational programmes (FEPs)** facilitating a switch to a **two-level curriculum** – i.e. the development of curricula at two different levels. This major change opens up space for each school and region. FEPs will, at national level, determine basic **target competencies of graduates** and the corresponding content of provision. By means of this comparable standards of education and qualifications will be ensured. FEPs for secondary VET are developed taking account of the fields and levels of education. They are comprehensive documents, as they set out requirements both for the vocational and general part of education, for students’ personal development and their preparation for employment as well as life in an open democratic society. FEPs also establish the requirements concerning their implementation. They are conceived so that they facilitate the development of curricula focused not only on narrow specialisations in a given field, but also on the acquisition of a wider range of competencies making it possible for graduates to meet a broader spectrum of labour market requirements, or to be easily re-trained. FEPs provide schools with clear

rules for the development of their own curricula and promote the desirable approach to the development of key competencies and life-long learning, integration of general and vocational education, broadening the profile of curricula and the development of progressive forms of educational provision (modular structure) and teaching methods (projects). Moreover, they give schools enough space for implementing their own ideas.

An important starting point for the development of FEPs in VET is so-called **professional profiles**. They serve as instruments linking the world of labour with that of training. The sources of information used so far to develop professional profiles (monitoring development trends in groups of related occupations, foreign sources etc.) are complemented by an **Integrated System of Type Positions (ISTP, the Trexima company, MoLSA)**, which is under development. As regards the creation of professional profiles, the ISTP contains data about qualification requirements employers have for a particular position. This data is gradually being processed to take the form of target competencies. Professional profiles also integrate the qualification requirements so that they may be used for the development of FEPs<sup>13</sup>. The professional profiles drafted earlier have been reviewed in view of the requirements formulated in the ISTP, while the newly developed ones use the requirements as a starting point. There are currently around 150 professional profiles being finalised and reviewed by the field groups.

There has been major progress in the development of FEPs since October 2001. It was then that the first draft of FEPs for VET was presented to the professional public, including social partners, for discussion and comments. **The second draft, which will include the concept of professional profiles, will be put forward to the MoEYS at the end of 2002.** Across-the-board implementation of the new curricular policy (a two-level development of curricula, the definition of relationship between FEPs and school-based curricula, definition of schools' responsibilities etc.) is conditional upon the enactment of the new education law. At present steps are being taken to test the policy on an experimental basis.

Good pre-conditions for testing the new curricular policy have been established by the so-called "Human Resources Development Fund" as one of the instruments of the **Phare 2000** investment programme. Its objective is to promote economic and social cohesion through the funding of projects in the North-West and Moravia-Silesia target regions. One project ("Help Schools Teach in a New Way" – in Czech POSUN) aims to test the development of school-based curricula on the basis of FEPs. The project will be implemented by NITVE in co-operation with schools in the North-West region and with contribution of regional social partners.

#### ▪ **The system of qualifications**

In August 2002 a proposal for redevelopment of the system of qualifications, which was prepared by the NITVE, was presented to the MoEYS. In December 2002 a finalised proposal will be presented to be discussed by all relevant stakeholders.

The new system of qualifications will follow the system of occupations in the Integrated System of Type Positions while taking account of the existing Classification of Branch Fields of Education (i.e. related groups of qualifications). The proposed link to the Type Positions and labour market requirements will ensure better transparency of the education

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<sup>13</sup> This interim step is necessary, since one professional profile may integrate qualification requirements for more than one occupation. In addition to employers' specific requirements, which are often derived from the present state of the development of technologies and organization of labour, the profiles must also include the projected developments in the relevant occupations.

system and qualifications awarded. The total number of qualifications will be reduced, which will contribute to better transparency as well.

▪ **Evaluation of learning outcomes**

Student final assessment in vocational programmes takes the traditional form of **final examinations** during which both the theory and practical skills necessary to perform a particular occupation are tested. Although there are efforts on the part of some groups of schools (e.g. in electrical engineering) to develop common examination papers and to ensure objectiveness of the examinations, they are confronted with the problem of a large number and wide variety of qualification profiles. This is why it would be pointless to seek a common core, as the skills acquired and assessed are very specific.

Objectiveness and the comprehensive nature of final vocational examinations may be enhanced by the **involvement of employers** both in the actual examinations and – with far greater effects – in the identification of targeted competencies in the curricula. The existing legislation provides for employers’ participation in final examinations – however, their role is only consultative (no decision-making powers) and the decision as to their involvement is at the discretion of the school director. A new bill on initial education, which is being drafted by the MoEYS, will contain provisions promoting employers’ involvement in the final examinations and a clearer definition of such involvement.

The current situation as regards the assessment of learning outcomes of secondary school students also reveals the problem of **comparability and objectiveness of the results of “maturita” examinations**.

Preparations to reform “maturita” started in 1997. In 1999 the **Centre for the Reform of the “Maturita” Examination (CERMAT)** was set up. The initial draft of the reform, approved by the MoYES in 2000, was criticised by a number of experts, specialist institutions and school representatives. This is one reason (in addition to the rejection by Parliament of the new education bill in May 2002) why the launch of the reform planned for 2004 is not realistic. The criticism was stepped up in the 2<sup>nd</sup> half of 2001 and in the early 2002. The result was a new draft of the “maturita” examination reform. It proposes two areas as a common core of “maturita”: communication in the mother tongue and communication in a foreign language. Examination in these two areas should be obligatory for all students taking the exam and it should be administered centrally. Furthermore, so-called **“profile examinations”** in line with the focus of the school should be part of “maturita”. A list of “profile areas” to choose from should be developed by the school director, and the assignments may also be identified centrally. The student may complement his/her profile by choosing from a list of optional areas. This proposal has won a widespread support among schools as well as individuals whose views were in discord in the past. The proposed draft of the reform has been presented to the MoEYS which should take an appropriate decision and incorporate the reform in the new bill on initial education. The bill should be put forward to the Cabinet in March 2003.

▪ **Quality assurance and accreditation**

The Ministry of Education seeks to maintain the quality of education through the Long-Term Plan for the Development of Education and the Education System of the CR. This document describes the main trends and aims related to further development, sets out the relevant national measures and defines room for specific solutions at regional level. Long-term plans for the development of education and the education system are also developed by regional authorities (for the following 3 or 6 years) and are based on the national long-term plan. Regions prepare and publish their plans once in two years and present them to

the MoEYS always by 31 May every odd year (the first one in 2003). The regional long-term plans are discussed jointly by social partners and elected regional authorities.

Although the decision concerning the opening or closing down of a particular school falls within the remit of the respective regional authority, the MoEYS must endorse the opening by including the school into the “schools registry”. In this way its quality is recognised.

The MoEYS’s accreditation of educational programmes is one of the components of quality assurance. Furthermore, the Czech School Inspectorate carries out regular assessment of schools and the quality of teaching. However, this evaluation is more focused on educational approaches than on the quality in terms of meeting the needs of the labour market.

A system of self-evaluation by the schools and quality-related initiatives on the part of parents do not work very well.

The development of an information system concerned with schools (rankings of secondary schools facilitating comparison according to various criteria and making it easier for the public to make an appropriate choice), which has been in the making for a few years, represents a positive effort to measure the quality of educational institutions, although it is a sensitive issue and the objectiveness of the assessment may be questioned.

The following systems of certification have been developed for adult and continuing education:

The Association of Institutions of Adult Education in the CR (AIAE) in co-operation with its Slovak counterpart developed a **trainers certification system**. The system rests on the ISO 9000/2000 quality systems and 150 trainers have already been awarded the certificate.

A system of **certification of educational institutions** has been developed at the initiative of the MoEYS (in view of the successful certification of trainers). The system is also based on the ISO 9000/2000 standards. It has been approved by the MoEYS and resources have been provided for 2002 to the AIAE to complete and pilot the system.

As regards quality assurance in continuing education a **certification system entitled Q FOR** has been developed within a Leonardo da Vinci project. It is aimed at identifying the level of satisfaction of participants in continuing education. The DHA company is implementing the system in the CR. An association for quality and information in education has been set up within the company which reviews the respective audits. The system was launched in 2002 and 10 institutions providing adult education have undergone the audit so far.

#### ▪ **Changes in the concept of life-long learning**

In 2002 there have been no significant changes in the concept of life-long learning in the CR. This fact is reflected in the level of involvement of schools in continuing vocational training provided in the form of re-training. The problems faced by schools result from various administrative requirements and drawbacks (e.g. complex and inflexible procedures for granting permission to deliver a course which is not approved as full-time). A long-lasting problem is that schools lack financial incentives.

An important initiative designed to inter-link initial and continuing education is taking place as part of the Phare 2000 programme in the Moravia-Silesia region, where the

objective of several projects is to build centres of life-long learning using the existing capacity of schools and expanding their activities to cover continuing education (e.g. the KRAJ project – “Comprehensive Development of Activities of Individuals” and the Regional Centre for Continuing Education).

So far there is no law on continuing education which would define responsibilities for CVE. However, the MoEYS has proposed as part of its Long-Term Plan that the law should be drafted in 2003 (see above). Division of responsibilities for CVE (particularly between the MoEYS and MoLSA) still poses problems. The NTF drafted a material at the initiative of the MoLSA which designates the responsibilities. For the same reason the relevant provisions have been drawn up to be included in an amendment to the law on responsibilities of public authorities, which is under development.

## 2.5. Guidance and counselling

As a consequence of the on-going reform of public administration and self-government in education, counselling services within the remit of the MoEYS will also be co-ordinated at regional level, primarily by means of **long-term plans and annual reports**. The obligation to develop regularly these documents is stipulated in amended Law no. 564/1990 Coll. on state administration and self-government in education. For this purpose the MoEYS prepared, in September 2002, a structure for the regions to follow in drafting the documents. Both documents contain, *inter alia*, chapters concerned with *regional specificities of economic and labour market development which have a direct impact on further development of the education system*. The chapter entitled *Objectives and Priorities for Individual Areas of Education* includes a sub-chapter dealing with counselling services in the schools system (educational-psychological counselling and career counselling).

On the basis of the cabinet’s resolution concerning Measures to Increase Employment of School Leavers (April 2000)<sup>14</sup> and on the basis of a methodological guideline of the MoEYS (October 2000), the subject “**Introduction to the World of Labour**” has, for a second year now, been gradually integrated into educational programmes of secondary schools. The textbook and teaching methodology was prepared by the National Institute for Technical and Vocational Education (NITVE), which also participates in the relevant training of teachers.<sup>15</sup> Another methodological guideline of the MoEYS (July 2001) assigned basic schools the task of including **Career Education** into the curricula (since 1.9.2002 it has been part of teaching at all basic schools). The Pedagogical Research Institute was involved in the development of the study materials and teaching methodology. Both these subjects are constituted by a set of theme units which are incorporated into ordinary subjects taught as part of the relevant programme. They have been developed in close co-operation with the MoLSA and are being taught in conjunction with school

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<sup>14</sup> This resolution includes methodological guidelines of the MoLSA

<sup>15</sup> A Czech-Austrian project implemented by the NITVE „**The Development of Multipliers in Training of Teachers for the Subject „Introduction to the World of Labour**“ is designed to train the staff of pedagogical centres to provide methodological support to secondary school teachers who teach the subject „Introduction to the World of Labour“, and to train trainers who will be involved in the actual continuing training of teachers.

**The Phare project entitled START – Knowledge – Skills – Information – a successful start of school leavers in the labour market**, in which the NITVE is involved. The project aims to provide comprehensive information, methodological and training support to educators (teachers and educational counsellors) at secondary schools of the NUTS II region „North-West“ in teaching and career counselling.

counsellors and Information and Counselling Centres at labour offices (<http://www.svetprace.s.cz>).

By means of their Information and Counselling Centres, which serve the general public, labour offices provide career-related counselling services to basic schools, teachers and educational counsellors – both to individuals and groups.

Over the previous year several projects have been implemented, which were/are concerned with counselling services within the remit of the MoEYS. For example, the NITVE is involved in a project funded from the MoEYS resources and entitled **Career Counselling in the CR**. It aims to analyse the system of counselling in the area of education and employment in the CR and to develop a strategy for its further development. The project also involves participation in OECD research “Review of Policies for Information, Guidance and Counselling. A number of surveys designed to charter the efficiency of counselling services under the MoEYS and the MoLSA will be conducted as part of the project.

## **2.6. Preparedness of the education and training system to comply with the principles of the European Employment Strategy**

The state of preparedness of the education system to comply with the principles of the European Employment Strategy has not changed considerably over the last year. Although a number of policies (curricular policy, secondary school leaving procedures etc.) create good pre-conditions for future development, the capacity to put them into practice will be of critical importance. Various other initiatives (Phare 2000) are also valuable, but it will also be vital to disseminate the results and experience gained.

**The Strategy for Human Resources Development for the Czech Republic** developed by the NTF with PHARE assistance and presented at a national conference in 2000 was on the agenda of a plenary session of the Council for Economic and Social Accord – CESA (tripartite) on 18 April 2002. The plenary session recognised the material to be a qualified basis for developing a government material.

The Strategy was discussed in October 2002 at a meeting of the CESA’s working team for education and human resources and will be put forward, in a revised form, to the tripartite body still this year. Since after the general election and formation of a new government in 2002 a new position of a deputy prime minister for science, research and human resources was established, it has been decided that the commented Strategy will be submitted to the government jointly by the deputy prime minister, the minister of labour and social affairs and the minister of education, youth and sports.

## **3. Recent developments in employment policy and implementation**

### **3.1. State of preparation for the European Employment Strategy and**

### **3.2. General outline of employment policy objectives and measures**

In 1999 Czech national employment policy began to approach, in terms of form as well as content, European employment policy. Although a number of components of European employment policy had been put into practice before then, new stimuli were contained in the **National Employment Plan (1999)**. They included: (i) expanding the scope of the

policy to cover related areas (education, business, equal opportunities, social inclusion), (ii) application of a programme approach which is based on the definition and quantification of objectives and their evaluation, (iii) a new concept of employment policy resting on co-ordination with government economic, social, education and regional policies, and (iv) emphasis on partnership of all institutions (government, non-government, social partners) involved in joint programme planning and implementation.

Progress in meeting the requirements of European Employment Strategy is annually monitored as part of the **Joint Assessment Paper (JAP)**. In the JAP, the Government of the CR and the Commission jointly identified the following main challenges and priorities of the CR employment policy:

- to maintain appropriate wage developments in line with the productivity growth and to co-ordinate the tax and benefit schemes in order to provide more incentives for people to work and for enterprises to create new jobs; to review the pension system from the point of view of its impact on employment;
- to promote territorial and occupational mobility;
- to enhance modernisation of the vocational education and training in co-operation with social partners, to make the educational system more transparent and focused on the needs of the labour market; to adjust the VET system to the demand of the knowledge-based economy and society;
- to strengthen public employment services and to focus the employment policy on prevention and activation;
- to strengthen institutional structures necessary for the implementation of future ESF funding.

In 2000 a new priority was added to those mentioned above, which was identified jointly by Czech government and the European Commission: The support of the use of flexible forms of work along with simultaneous preservation of labour and legal protection of the employees and their wage levels.

In the evaluation report of the European Commission concerning JAP 2002 (Comments of the Commission services) the quality of the 2<sup>nd</sup> Progress Report prepared by Czech government is appreciated and considerable progress in meeting various priorities is recognised.

**In 2002**, as in the previous year, a **National Action Employment Plan (NAEP)** is being implemented. The plan elaborates on the medium-term strategy set out in the National Employment Plan which was developed using standard EU methodology (it rests on four main pillars and 18 employment policy guidelines of the European Commission). For the first time performance indicators have been prepared similar to those used by EU member states in order to evaluate the policy implementation. The application of these criteria will make it possible not only to assess the progress achieved in employment policy implementation, but also to make an objective comparison of the CR, EU member states and other candidate countries which use the same indicators.

Apart from employment services, partner ministries, particularly education, industry, regional development and the interior, are involved in the implementation of the NAEP. Its measures are largely of a systemic nature and should serve as a basis for the establishment of the relevant data, legislative environment and co-operation structures for future actions. Most measures focused on supporting individuals are contained in Guidelines 1 and 2. This body of measures aims at implementing appropriate forms of support (the “First

Opportunity” and “New Start” programmes) through individual plans for all unemployed persons up to 25 years of age who are unemployed less than 6 months, and all adult job seekers who are unemployed less than 12 months. A total of 15 labour offices representing districts with varying conditions have been selected for pilot implementation of these measures. From 2003, after the pilot stage is evaluated, the measures will be adopted by all labour offices. The pilot labour offices have drawn up the relevant schedules, unified their approach to applicants and determined appropriate procedures related to financial management and factual monitoring. To carry out the new tasks most pilot labour offices have adjusted their organisational structure, work and responsibilities of various units and reinforced their mutual co-operation.

The implementation of the NAEP and other components of active employment policy is being hampered by lack of financial resources. This problem should be gradually tackled by means of financial assistance from the European Social Fund. This is why the **Sectoral Operational Programme – Human Resources Development (SOP – HRD) for 2004-2006**, which is currently under development, also includes among the priorities those measures which correspond with the NAEP and which will make it possible for the plan to be expanded and subsequent actions to be taken.

The SOP – HRD covers regions within Objective 1, which is the entire CR without the Prague region. This is why, in addition SOP-HRD, Single Programming Document Objective 3 – for Prague is being prepared for the use of the ESF. A portion of ESF resources will also be used to finance some measures concerning the development of human resources as part of a Single Regional Operational Programme. All operational programmes including programme complements are undergoing ex-ante evaluation and will be put forward to the European Commission by the end of February 2003.

### **3.3. Adaptation of the legal framework**

The new employment bill, which has for long been in the making (see Country Monograph 2001, 4.1.1.), has not yet been passed. The only piece of legislation enacted has been the so-called “euro-amendment” to the law on employment (Law no. 220/2001 Coll.) which, among other provisions, prohibits indirect discrimination and regulates the position of EU citizens in the CR’s labour market after accession to the EU.

### **3.4. Governance and responsible bodies**

#### **▪ Roles of and co-operation among national, regional and local administration**

The co-operation between employment services and regional authorities, which were set up as part of the overhaul of public administration and self-government, has gradually been shaping up. The staff of labour offices take part in the work of committees formed by regional authorities and provide them with the relevant background information.

Councils of Labour Office Directors have been set up at regional level. Their task is to:

- Act as co-ordinators between the regional authority and labour offices in the region
- Draw up development policies
- Approve the objectives of active employment policy in the region
- Approve approaches to specific groups of job seekers
- Undertake analyses and prepare statistical information

#### **▪ Funding**



In 2000 Law no.118/2000 Coll. concerning the protection of employees related to the employer's insolvency and amendments to certain laws was passed.

The law provides for the employee's right to the settlement of wage arrears in the case of the employer's insolvency. The employee may apply for the settlement at any labour office in the CR.

### **3.5. Employment services (at national and regional level)**

The structure and organisation of employment services have not experienced any major changes.

The expenditure on active employment policy (AEP) as a proportion of total expenditure on employment policy increased in 2001 to almost one half (42,7%) of the total expenditure. Higher unemployment, which calls for more resources to cover unemployment benefits, has resulted in efforts to decrease non-mandatory expenditure (and the national budget deficit) – that on active employment policy included. This is why there is a smaller amount of budgetary resources earmarked for this purpose as compared to previous year. The resources spent so far on active employment policy only account for 32.7% of resources spent on employment policy as a whole (as to the 30<sup>th</sup> June 2002).

The number of jobs created using traditional AEP instruments corresponds to the relevant financial resources. In the 1<sup>st</sup> half of 2002 6 968 socially purposeful jobs were created and 7 187 applicants were placed in them. In the same period there were 12 179 public welfare jobs created and 11 849 job-seekers were placed in them. Moreover, in the 1<sup>st</sup> half of 2002 labour offices contributed AEP resources to create.

3 136 jobs for school leavers to get practical experience and juveniles to achieve qualifications, and 3 003 applicants were placed in these jobs. Over the same period 18 258 job-seekers started re-training and labour offices created 565 new jobs for the disabled where 615 of them were placed. Labour offices also contributed to the operation of sheltered workplaces employing these individuals – this contribution concerned 3 844 jobs in these facilities.

An important part of state employment policy is assistance to employers, which is being implemented within the investment incentives scheme. In the 1<sup>st</sup> half of 2002 the MoLSA provided investment incentives to 3 new investors to create jobs and arrange for re-training of their employees.

Important assistance to employers employing disabled individuals consists in the provision of subsidies to employers who employ a minimum of 50% of disabled employees (capital grants) and a contribution given to employers who provide jobs to more than 50% disabled persons.

Employment policy within the purview of the MoLSA is focused on meeting the aims set out in the National Action Employment Plan for 2002. One of the principal aims is compliance with the European Commission's Guidelines 1 and 2 designed to tackle long-term unemployment.

Employment Services Administration at the MoLSA therefore launched two programmes in 2002 which are designed for individuals at risk of long-term unemployment: "The First

Opportunity” is a programme for young job seekers up to 25 years of age who have been unemployed for less than 6 months, and “A New Start” is for adults over 25 who have been unemployed for less than 12 months. The programmes are being piloted at 15 labour offices in order to get experience in their implementation and to set the appropriate conditions so that, from 2003, the programmes may be implemented across-the-board at all labour offices.

The focus and scope of individual instruments of active employment policy change gradually in favour of pro-active and preventive measures in the area of counselling and re-training. If preference is given to their implementation, budgetary resources for active employment policy will be saved. This development may be hampered by an insufficient number of employment services staff. Labour offices employ approximately 4.9 thousand people and around one tenth of them work in the area of counselling and re-training (see the still relevant information about human resources in employment services in Country Monograph, 4.1.1).

### **3.5.3. Monitoring and evaluation of activities**

In view of the fact that there is no national system for evaluation of employment services’ activities and needs in relation to human resources, a project is being designed which aims at standardizing labour offices’ activities. The services provided by labour offices should be expanded and their quality enhanced through standardization of processes and optimization of organizational and work arrangements. The project is being developed by Trexima Zlín for the MoLSA and should be implemented in 2004 and 2005.

Furthermore the NOET prepares for MOLSA a proposal of the Design of the Framework for Evaluations of National Employment Action Plan, which could be applied for future evaluations.

### **3.6. Preparedness of Employment Services to contribute to the implementation of the European Employment Strategy**

In relation to implementation of European Employment Strategy employment services must be modernised – both at national level, and on regional and local levels in particular. The aim is to ensure that employment services are capable of providing for the efficiency and application of various employment policy instruments in individual situations, developing co-operation with other players in the labour market, and enhancing monitoring and evaluation of the actual effects of employment policy implementation. First steps in this direction have already been made.

At national level the necessary links and co-operation between various partners in drawing up medium-term employment strategies and priorities have been strengthened. To a much larger degree than before, other ministries (MoEYS, MIT, MRD, MI), social partners and other institutions participated in the development of the NAEP 2002. At regional level, labour offices charged with co-ordination of national employment policy in the respective regions prepared, in 2002, regional co-ordination plans for employment policy. They did so in co-operation with representatives of regional self-government, social partners, regional development agencies and other entities.

New approaches ensuring individual application and extension of employment policy tools are piloted as part of the NAEP (for details see 3.1). Labour offices are gaining practical

experience, and new organisation of employment services and new methods are being tested.

Attention is also paid to the increasing of professional competence of the staff of Employment Services Administration and labour offices. The training courses also include those concerned with EEC legal regulations pertaining to employment and the European Social Fund. Over two thousand people attended these courses in the 1<sup>st</sup> half of 2002.

In view of the fact that an inappropriate level of **systematic evaluation of the results, efficiency and impact of various employment policy instruments** was identified as a drawback of employment policy implementation (see Country Monograph), these aspects have been given special attention in the NAEP. The plan sets out a range of measures aiming to develop an evaluation methodology (e.g. tracking studies), improve data collection, expand and complete the information system at labour offices and intensify labour offices' analytical work. Data analyses will facilitate better targeting of resources to individual measures and optimising the scope of their application.

It is evident that employment services are not yet ready for the new tasks related to the implementation of European Employment Strategy – both in terms of personnel and facilities. This situation is presently being addressed by means of organisational changes and strengthening co-operation (see 3.1 – the part concerning the NAEP implementation). A considerable improvement will result from the use of ESF resources in 2004. The Sectoral Operational Programme HRD contains one measure devoted solely to modernisation of public employment services (Measure 1.2).

▪ **Preparation for the European Social Fund implementation**

In 2001-2, the preparatory work for future use of the ESF resources continued. It namely consisted in building and testing **the institutional framework** of the functioning of the ESF structures in the CR both within the MoLSA and the Employment Services Administration and on the level of subordinated organisations (co-ordinating Labour Offices within the regions) in co-operation with the Ministry of Education, Youth and Sports and other ministries.

Based on the decision of the Minister of Labour and Social Affairs, the department of Employment Strategy and Human Resources Development, in charge of activities related to pre-accession assistance, was transformed into the Department for preparation of **the National ESF Unit**. The MoLSA staff dealing with ESF and pre-structural funds was trained in the framework of twinning projects and they gained practical experience in the ESF area.

Furthermore, **expert capacities in evaluation of ESF programmes** are continuously being developed. In 2002, the National Observatory of Employment and Training was assigned the task of developing ex-ante evaluation of the HRD Operational Programme and the Single Programming Document Objective 3. This activity was supported by specialists from Great Britain' ESF evaluation unit as part of a twinning scheme. A **Working Group for Evaluation** was also set up in 2002. Its objective is to harmonise the methods and procedures for evaluation of human resources development programmes, to discuss and review evaluation results, to disseminate information and develop expert capacities of the evaluators. As far as the ex-ante evaluation exercise is concerned, the working group comments on the recommendations made by the evaluation team and on the structure and concept of indicators proposed for OP HRD.

In 2002 a **Monitoring System for Pre-structural and Structural Funds** was tested on a pilot basis. The system is administered by the Ministry for Regional Development (MRD) which is responsible for co-ordinating and monitoring assistance from structural funds. It is designed as a central database including all state administration bodies and implementation units in individual programmes and decision makers at all levels involved in the monitoring of EU assistance (including information about the relevant entities, final beneficiaries and project promoters).

**Grant mechanisms**, decentralised management and funding of human resources development projects has already been tested in the PALMIF programme (Phare 99) and it is further developed within the project HRD Fund (Phare 2000) which is an investment project for two target regions NUTS II launched in March 2002. The methodology of application processing, tenders, project monitoring, report processing and programmes assessment used for this grant schemes will be also used for the ESF grant mechanisms.

In June 2001 the Czech Republic joined the **EQUAL** initiative, the main objective of which is to promote equal access to employment and to develop and test procedures eliminating discrimination and inequality in the labour market.

The EQUAL initiative in the Czech Republic is financed from resources of the Ministry of Labour and Social Affairs, which is responsible for its implementation, and from Phare resources.

After setting up the main bodies a public call for the so-called Action 1 was launched. A total of 76 projects were promoted within the call. On the basis of evaluation by external evaluators the Monitoring Committee selected 20 projects to be financed by the MoLSA within Action 1. Action 1 lasted from January to June 2002. In this period project proposals were completed, development partnerships consolidated and trans-national partnerships established. A total of 10 projects have been selected for implementation (Action 2). Action 2 begins for development partnerships upon signing a grant contract (October-November 2002) and lasts a maximum of 30 months.

**Further direction of the preparation for the use of ESF** will be focussed on:

- Completing the building of the department for the preparation of the ESF unit; organisational changes in the employment services aimed at the implementation of the National Action Plan for Employment and establishment of an auditing system requiring the strengthening of these elements within the budget of the chapter;
- Strengthening the auditing functions and establishing auditor's functions in implementation structures, i.e. employment services, and others;
- Establishing a system of ex-ante evaluation, continuous evaluation and ex-post evaluation.

#### **4. Conclusions**

The period under review was relatively positive, since the economy was in the stage of growth. Small and medium-sized companies increased their output and employment grew in SMEs as well as in the economy as a whole. Foreign and international companies, which often responded to government-set incentives, made the strongest contribution to job creation.

The level of unemployment in the first half of the period under review was stable. Then the situation deteriorated, while regional differences remained large. Employment policy was focused on the objectives set out in the National Employment Action Plan which follows from EU Employment Guidelines and, in this way, promotes the use of similar approaches to tackling unemployment (including long-term unemployment which has been constantly growing).

In the domain of education progress has been made particularly as regards the development of important policy papers. The Cabinet's Policy Statement puts emphasis on issues which are of key importance for the development of vocational education. The fulfilment of the objectives set out in the national long-term plan and in the envisaged regional long-term plans will also be of primary importance.

A major setback is the inappropriate liaison between initial and continuing education. One of the related factors is the insufficient involvement of social partners. There is no clear definition of responsibilities of the various actors, nor is their involvement provided for in terms of legislation. The newly set up office of deputy prime minister for human resources and the envisaged government council for human resources may play a positive role in this respect.

The positive features also include the fact that the Strategy for Human Resources Development in the CR was discussed by the tripartite and recommended to the Cabinet for discussion.

The inappropriate level and inefficient, non-transparent system of funding may constitute a considerable drawback (not only in terms of the long-lasting problem of teachers' pay, but also as regards the implementation of objectives specified in the Long-Term Plan).

The period under review was also marked by intensive preparations for EU accession. Key strategic and assessment papers were under development and the institutional framework for implementation and evaluation of ESF programmes was being designed and tested.

## **Annex :List of Acronyms and Abbreviations**

AEP	Active Employment Policy
AIAE	Association of Institutions of Adult Education
CEECs	Central and Eastern European Countries
CERGE-EI	Centre for Economic Research and Graduate Education of Charles University
CERMAT	Centre for “Maturita” Examination Reform
CESA	Council for Economic and Social Accord
CR	Czech Republic
CVT	Continuing Vocational Training
CZ-ISCO	Classification of Occupations. Introduced by the Czech Statistical Office in 1994. It corresponds to the ILO’s International Standard Classification of Occupations 1988 (ISCO-88) and classifies occupations as particular activities, which are carried out by individuals and are sources of their incomes.
CZ-NUTS	Classification of Territorial Statistical Units Introduced by the Czech Statistical Office in 1999. It corresponds to the EU standard Nomenclature des Unités territoriales statistiques NUTS and classifies territorial units, which structurally make up the territory of the country according to constitutional law or another requirement. The Czech national version includes a six level breakdown from national down to municipality levels designated with numerical codes.
FEP	Framework Educational Programme
GDP	Gross Domestic Product
CHRD	Council for Human Resource Development
ICT	Information and Communication Technologies
ISA	Information System concerning the Position of School Leavers
ISCED	International Standards Classification of Education
ISTP	Integrated System of Type Positions
LFS	Labour Force Survey
MIT	Ministry of Industry and Trade
MoEYS	Ministry of Education, Youth and Sports
MoLSA	Ministry of Labour and Social Affairs
MRD	Ministry for Regional Development
NACE	Statistical Classification of Economic Activities within the European Communities
NITVE	National Institut of Technical and Vocational Education
NOET	National Observatory of Employment and Training
NPF	National Property Fund
NTF	National Training Fund
OECD	Organisation for Economic Co-operation and Development
Q	Quarter
RILSA	Research Institute of Labour and Social Affairs
RISA	Regional Information System concerned with Employment of School Leavers
SMEs	Small and Medium Enterprises
VET	Vocational Education and Training