



Annual National Report 2010

Pensions, Health and Long-term Care

Czech Republic
May 2010

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On behalf of the
European Commission
DG Employment, Social Affairs and
Equal Opportunities

Gesellschaft für
Versicherungswissenschaft
und -gestaltung e.V.



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1 Executive Summary

During the last year (from May 2009 to May 2010) the planned reform of the Czech pension system and health policy making was practically stopped. The situation was comparable in respect of pension reforms. During this period, the Czech Government was without political mandate. Policy makers are still, at the beginning of June 2010, waiting for the result of political negotiations in respect of the new government. After the parliamentary election in May 2010, it is feasible to expect that right-wing politics will prevail in the next policy making process. Economic goals together with state budget cuts strongly prevail in the policy objectives. It is also feasible to expect further political pressure on a transfer of the financial burden for health care onto patients (in terms of co-payments and direct payments). In such a case, welfare state economics would be under strong pressure to reduce expenditures, which could, again, lead to political and social instabilities.

Alternatives and conditions of continuation the pension reform were discussed in the period January 2010 to May 2010 by a group of experts and will be published by the Ministry of Finance in June 2010.

The balance of revenues and expenditures of the social security system was in deficit in the first quarter of 2010, after a previous balanced or surplus development for more than 10 years. The cause of this problem is interpreted as a consequence of the economic crisis.

Long-term care facilities are currently underfinanced and they are very vulnerable in respect of expected future economic constraints. Long-term outcomes of long-term care and the health status of elderly people above the age of 64 are below the EU average (old Member States). The health gap of this age group is growing, and 10% of the elderly in residential social care facilities are victims of abuse. The good message, however, is that in this segment of care tools for quality management, including an accreditation system, are being implemented.

The Czech Republic is confronted with the consequences of its own reforms, politically decided at the end of 2007 and implemented as from January 2008 onwards (i.e. the reduction of tax and social contributions in combination with zero growth of government expenditures in the subsequent two years), as well as with the global economic and financial crisis. Both of these processes are reducing domestic demand and have negative social consequences in terms of growing unemployment as well as cuts in social, health and education expenditures/consumption. The balance of public finance revenues and expenditure in 2010 together with social and health insurance was partly strengthened on its revenue side, thanks to specific measures approved by the parliament in 2009, but it will be necessary to continue these measures also in next legislative period together with measures addressing the expenditure side. But a very responsible approach would be a socially acceptable development of the welfare system as a condition for further freedom of development and sustainable social development of the country.

2 Current Status, Reforms as well as the Political and Scientific Discourse during the previous Year

The political context of the development of social and health policies profoundly changed in March 2009. The Government had lost confidence in the Czech Republic Chamber of Deputies. The calling of early elections to the Chamber of Deputies was threatened by a possible negative decision of the Constitutional Court. The result of a political consensus was the establishment of an interim government of experts until the new elections in May 2010. The minister of health was changed in early 2010 and, shortly afterwards, the previously proposed health care reform bills were turned down.

Criticism on the public finance reform (i.e. a shift of the tax burden from direct to indirect taxes, significant cuts in the state budget, with negative implications for the development of research and education, patient's co-payment, but also the threat of an opt-out option of the pension system) has been increasing after their partial implementation in 2008. These reforms have not found sufficient support even among members of the government coalition itself (ODS, KDU-CŠL, SZ;). This allowed for the political opposition to express non-confidence in the Government in March 2009. Among the critical arguments about the activities of the Government were also doubts about the procedure of managing the economic crisis.

The expert government has greatly contributed to a better transparency and responsibility of political communication and, thereby, the improvement of the discourse of a substantive policy agenda. In preparing the state budget a taboo was broken in terms of the untouchable revenues of the budget, i.e. the tax policy. Until that time, it was not even a theoretical option in the political discourse to consider the possibility of increasing revenues, which affected the achievement of a balanced outcome of the state budget. Politicians, until then, preferred talking about an even faster economic growth before addressing the state budget deficit. Now (in the first half of 2010), it is generally acceptable to discuss such topics in a more open way.

The Czech media gradually exposed new corruption scandals of political parties in recent years, which significantly contributed to low effectiveness of public spending and, hence, to the depth of the state budget deficit. This, of course, did not promote the development of trust in political parties. The state budget for 2010 was drawn up, although with a relatively high deficit, but the budget's capacity to manage its deficit is much better than in the previous year 2009. Due to the current revival of economic development, it is now possible to expect no further catastrophic deterioration of the planned deficit, if no significant changes happen on the expenditure side.

The new government of experts, led by Prime Minister Fischer, stopped a further pension reform formulated by the previous government and the Minister of Finance together with the Minister of Labour and Social Affairs, and appointed an expert working group in early 2010, which continues to discuss the possibility of continuing the reform¹. The activities of this group are to be completed in June 2010, and the final report will be offered to the new government after the parliamentary election in May 2010. However, the work of this group is traditionally oriented on quantitative modelling of the demographic development and financial aspects in a diversified pension system, without the relevant evaluation of the social consequences. In the expert working group, representation of financial market players

¹ The group consists from 10 members, mainly financial market experts, one representative from trade unions and one from the Ministry of Labour and Social Affairs.
http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf_duchod_ref_pes_52859.html.

(investment funds, banks, etc.) prevails. An important event which will undoubtedly influence the further course of the discourse of the pension reform was a decision of the Constitutional Court of the Czech Republic in April 2010. The Constitutional Court dealt with a complaint which highlighted the unfairness of a legal procedure for determining the pension replacement rates in the PAYG first pillar. This event directed attention of public discourse on the level of pensions.

Moreover, even before this event, contributions to the first pillar became the subject of planned but not implemented opting-out, which would result in a crisis of the PAYG system. The subsequent development of political and media discourse on the Constitutional Court ruling will certainly lead to increasing public interest in pensions issues. Public discourse of the pension reform was until then almost non-existent. The only actors participating in a civil society discourse on this issue have been trade unions. On the other hand, the dominant participating actors in this discourse have been mainly representatives of financial market players, supported by civil servants.

After political changes occurred in May 2009, some members of parliament reorganised their relation to their own political parties (KDU-ČSL, SZ) and founded a new right-wing political party, TOP09. In their public actions, the values of this party are represented as universalistic. This party was able to appeal to a broad spectrum of people (mainly the younger generation, intellectuals) and obtained votes from all over the country, financially supported by entrepreneurs and high-income groups and oriented towards neo-liberal reforms. In its election programme, the privatisation of big hospitals, health insurance and the opt-out option in the pension system are mentioned.²

2.1 Pensions

2.1.1 Overview of the system

The public pension insurance system in the Czech Republic continues to be effected directly by the state. During the transformation process of the Czech society in the 1990s, the system was not decentralised and converted into public-law corporations, as was the case during the First Republic (between the two World Wars) and as is now the case with the present public health insurance system. Thus, in the first half of the 1990s, public pension insurance funds remained a part of the state budget, and were consequently under a stronger short-term influence of political parties and the Government. During these times, surpluses from revenues (about CZK 45 billion) were used in the state budget for the financing of other needs.

A major mistake as to decisions taken in the early 1990s was the variant assessment base for self-employed persons compared to employees in the PAYG system. The preference of self-employed persons to minimise social security premiums will cause them to have low pensions once they retire and possibly lead to serious social problems. This would have to be addressed on the basis of social solidarity through social assistance systems, and financed from taxes. If self-employed persons paid premiums on the same assessment base, the annual income of the pension system would be higher by several tens of billions of Korunas. Some aspects of the present way of the first pillar administration by the state are now a political target for incremental transformation by right-wing governments (e.g. opting-out).

Since 1990, i.e. the beginning of the ongoing transformation, the public PAYG insurance system has indeed been subject to pressure. Between January 2007 and May 2009, the

² <http://www.top09.cz/>.

previous right-wing government discussed an opt-out option which would lead to a further reduction of the contributions paid to the PAYG scheme.³ It was, however, not expected that the Government would be able to implement such an option (see the planned third stage of the government reform⁴). The Civic Democratic Party also proposed to reduce contributions to the public insurance system by two percentage points (from 28% to 26%) in 2009⁵. Such a reduction was thereafter formulated as part of the Czech anti-crisis plan in February 2009 and politically approved by the parliament in May/April 2009, for a limited period of two years.

The characteristics of the current pension system and the three phases of its 2007-2010 reform were described in the National Report on Strategies for Social Protection and Social Inclusion 2008-2010 and in previous strategy reports. With the basic pension scheme (pillar I) still prevailing, the Czech Republic, unlike many other Central and Eastern European countries, has not introduced a mandatory funded pillar. In 2008, the parameters of PAYG were amended, based on a relatively broad political consensus (Act on Pensions Insurance).

In 2005, an important document was published (National Strategy Report on Adequate and Sustainable Pensions), prepared by a team of economic experts headed by a bank representative (Bezděk), and elaborated in cooperation with representatives of the parliamentary political parties, the Prime Minister, the Minister for Labour and Social Affairs and the Minister for Finance. Three proposals made by the report were accepted by the policy makers: (1) to keep the key role of the PAYG mandatory basic pension scheme; (2) to introduce parametric changes in pillar I – a gradual increase of the retirement age; (3) to further develop supplementary voluntary pension provision (pillar III). The fourth proposal – the separation of financial resources of the first pillar from the state budget and the establishment of a financial reserve for future long-term reform, was not accepted. A more pragmatic short-term approach prevailed.

The further development of the pension reform in 2008-2009 was in line with the Czech government reform programme (Programme Declaration of the Government, 2007), oriented towards parametric changes but also including two other aspects: the deregulation of existing private pension together with the proposal of introducing an opt-out option. But in the context of the global economic crisis at the end of 2008, and after the Czech government crisis in April 2009, it was evident that such reform process was unacceptable in the new context.

New changes in the pension insurance (2010).⁶ From 1 January 2010, Act No. 306/2008 Coll. comes into effect, amending Act No. 155/1995 Coll. on pension insurance, which brings significant changes to the pension insurance system, which adversely affects many employees,⁷ in particular, by increasing the retirement age and tightening conditions of eligibility for retirement.

These new changes include:

³ Programme Declaration of the Government, January 2007, <http://www.vlada.cz/scripts/detail.php?id=20841>.

⁴ <http://www.finexpert.cz/Rubriky/Budoucnost-penzijniho-pripojisti-v-CR/sc-17-sr-1-a-23244/default.aspx>, The future of pension co-insurance, interview of Jiří Ruson for FinExpert.cz, on 9 September 2008, <http://www.radio.cz/cz/zpravy/103479>.

⁵ Czech Republic - asisp Annual Report 2009.

⁶ Changes in pension insurance valid from 1 January 2010.

⁷ Schematic implementation of parametric changes without the evaluation of existing variances in health status and social and economic determinants of health has sparked a critical debate not only at national level. The social determinants agenda of the World Health Organisation (2005-2007) also provides more complex analytical and assessment concepts on this topic (WHO). Practical implementation of the concept 'Living longer-working longer' (OECD) has to be based on an integrative public policy-making approach.

(1) Repeal periods of study as qualifying periods

Periods of study in 2009 at middle and high school after the age of 18 count as qualifying periods for the first six years for the purpose of pension insurance calculation, but only as 80%. A new period of study obtained after 31 December 2009 will cease to qualify. Only the evaluation of periods of study which took place before 1 January 2010 remains intact.

(2) Gradual increase of the retirement age to 65 years for men and 62-65 for women

The age limit for entitlement to retirement pension is progressively increased by 2 calendar months for men and 4 calendar months for women for each calendar year, up to

- 65 years for men, childless women and women who have raised one child,
- 64 years for women who have raised two children,
- 63 years for women who have raised three children,
- 62 years for women who have raised at least four children.

(3) The required insurance period is extended from 25 to 35 years, including replacement of contributory periods, and to 30 years without replacement periods. The required insurance period will extend for one year for each year of the Act, which means that in 2010 it is 26 years, and by 2010 35 years, i.e. the final state, will be reached (see Table 1).

Table 1: Changes in requirede insurance periods

| Year of retirement age | Required insurance period (years) |
|-------------------------------|--|
| 2009 | 25 |
| 2010 | 26 |
| 2011 | 27 |
| 2012 | 28 |
| 2013 | 29 |
| 2014 | 30 |
| 2015 | 31 |
| 2016 | 32 |
| 2017 | 33 |
| 2018 | 34 |
| 2019 | 35 |

(4) A new definition of disability.

A three-tiered invalidity pension, which repeals the existing division of full and partial disability pensions, is newly introduced. If the insured's ability to work decreased to

- 35% to 49%, it is a first-degree disability,
- 50% to 69%, it is the second-degree disability,
- 70% or more, they are third-degree disabled.

The existing full disability pension will become a third-degree disability pension. The partial disability pension will become a second-degree disability pension, if there is a decrease in working capacity by a minimum of 50% and a first-degree disability pension in the other cases.

(5) Payment of retirement pension in case of earned income or other restrictions

Before 1 January 2010, the payment of pension in addition to earned income was still subject to negotiation of an employment relationship for a fixed period not exceeding one year. This condition is since then abolished.

(6) Increase the percentage assessment of the old-age pension

As of 1 January 2010 there is an option to increase the percentage assessment of the old-age pension for a period of a gainful activity which was conducted after the entitlement to the pension arose, while concurrently receiving the pension in the full amount, specifically by 0.4 % of the calculation base for each 360 calendar days or, provided the person receives only one half of the pension, by 1.5 % of the calculation base for each 180 calendar days . This provision applies to the periods of gainful activities conducted after 31 December 2009.

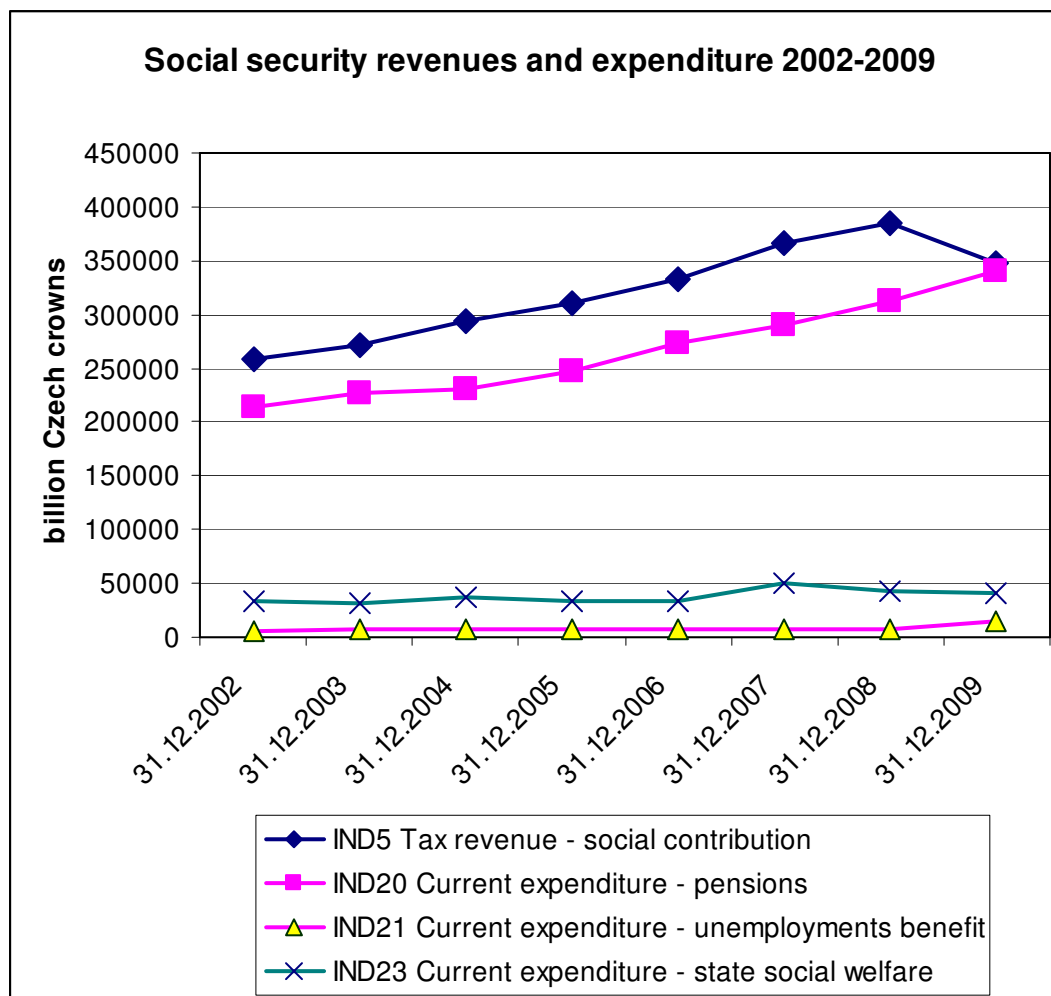
(7) Early retirement possible 5 years earlier, but with a greater reduction

The previous possibility of early retirement up to three years before reaching retirement age (retirement at age 63 years and below) will be gradually extended to 5 years (retirement age of 65). However, at the same time, the percentage of pension paid in early retirement compared to full pension at retirement age will be reduced. If early retirement occurs less than 720 calendar days before the normal retirement age is reached, the pension payment is decreased by 0.9% for every 90 days of early retirement (i.e. the same as before).

The development of social security revenues and expenditures in the period 2002-2008

Social security revenues and expenditure. In the period 2002-2008 there was a surplus each year. In 2009, the system ended up with balanced operating results (see Graph 1.) In the first quarter of 2010, however, the PAYG pension system had a deficit of CZK 5 billion. According to the Ministry of Finance, the expected deficit at the end of 2010 is CZK 35 billion.

Graph 1: Social security revenues and expenditure in 2002-2009



Source of data: Czech National Bank⁸

2.1.2 Overview of debates/political discourse

The development of the political discourse and communication has importantly determined the quality, effectiveness and democratic dimension of social policy-making and implementation in the Czech Republic. However, this process has recently been strongly influenced within the context of economic globalisation. The present political discourse is, thus, influenced by traditional economic concepts which are not sensitive enough in respect of the rule of law, human rights and other normative approaches, which can be found in research and evaluation of public policy outcomes. This mainly economic view is reflected critically by a growing part of the society (trade unions, activities of seniors). The activities of the previous Czech government in the period January 2007 to May 2009 is now evaluated in public surveys and by social partners (repeated strikes organised by trade unions in 2008-2009) as a socially insensitive, irresponsible, unbalanced approach to pursuing private-sector interests. The Czech President Vaclav Klaus criticised the openness of the Czech Government to lobbying (Rozhovor prezidenta republiky pro Lidové noviny, 16 May 2009).

⁸ Time series database ARAD
http://www.cnb.cz/cnb/STAT.ARADY_PKG.PARAMETRY_SESTAVY?p_sestuid=1411&p_strid=BA&p_lang=EN.

While the parametric changes in the basic pension scheme were publicly and politically accepted in 2008, other reform plans, oriented towards the deregulation of supplementary pension funds and also geared towards the opportunity to opt out of the system, have been subject of an intense and critical political discourse. Opposition parties (Social Democrats and Communists) and the Czech-Moravian Confederation of Trade Unions have been strongly critical during the past two years. The trade unions organised a series of warning strikes, including a strike specifically against the pension reform in May 2008. The actors involved in the political discourse on pension reforms can be grouped according to their interests and expected gains and losses (see tables in Annex). The recent political discourse did not result in a consensus on the pension reform. Important events in the discourse were the 2008 elections of regional self-administration and the Senate. The Social Democrats won both elections. During the electoral campaigns it became evident that within the Czech society negative expectations were on the rise, resulting from the continuation of reforms which are mainly geared towards stabilised public finances, including changes in the health care sector and the already discussed further changes in the pension system. Notwithstanding, the Czech Government continued, at the end of 2008, with the discussion and corresponding policy making of further pension reform steps.

In April 2009, an international seminar was organised by the Czech-Moravian Confederation of Trade Unions for experts and trade union representatives from other countries (Poland; Sweden; Hungary; Slovakia) together with representatives from the Czech Ministry of Labour and Social Affairs. The seminar evaluated the risks of a pension reform allowing for an opting-out, especially in the context of the current economic crisis, and the economic results of private pension funds and the negative burden of such reforms for public budgets and public pension schemes.

In April 2010 the Czech Constitutional Court announced a ruling on the current calculation method determining the reduction limit for determining the calculation base percentage assessment according § 15 of Act No. 155/1995 Coll., on Pension Insurance. This mechanism in much reduced form evaluates the income level of insured persons. In fact, the real level of their pension is often below 20% of their income. The Constitutional Court assessed such case as an unacceptable inequality and as not in accordance with Article 30, Paragraph 1 of the Charter of Fundamental Rights and Freedoms (Langasek).

This event sparked the following public and media discussion. Many politicians were surprised that they are obliged to solve a new problem connected with the burden of public finance. The positive impact of this event is that it alarmed public interest in the pension reform agenda and the discussion of different alternatives. The Czech media are not working with other alternatives like a NDC system, general objectives of pension systems or the relation of pension system to microeconomic problems in labour markets. One important debate related to pension reform, in the context of the above mentioned ruling of the Constitutional Court, occurred on 24. April 2010. In this debate the previous European commissioner Vladimir Spidla also participated, who contributed to a certain cultural and expert level. He introduced other perspectives to this debate, which the Czech politicians and media workers were not used to discuss (i.e. a more comparative evaluation of the Czech situation as regards expenditures of PAYG in terms of % of GDP, the necessity to evaluate social impacts of reform alternatives, the possibility to also include into the debate other alternatives like non-financial defined contribution (NDC) schemes.). But the most important contribution was that the Czech Republic does not need to solve its pension reform very quickly.

2.1.3 Impact assessment

The pension insurance reforms underway in the Czech Republic were gradual and concerned primarily the system's parameters. In 2008, a further increase of the retirement age was implemented (as it has been described in the National Strategy Report in detail).

On a microeconomic level the impact of the pension system development is assessed by means of family accounts (household income and living conditions) and the consumer price index – data are collected and processed by the Czech Statistical Office⁹ and supplemented by regular surveys by the Czech Sociological Institute (Public Opinion Research Centre). There is, however, a need for a more complex, independent evaluation, e.g. by the Research Institute for Labour and Social Affairs.¹⁰ But the research institute has not been systematically geared towards this important subject. It is under the strict control of the MoLSA. If the pension system were to be discussed in a broader analytical framework, and not only in terms of positivistic descriptions or models of its parameters, then it would be necessary to evaluate the existing social context with growing income inequalities in the labour market (OECD, 2008b, Barr, Diamond 2006), and, subsequently, even more discriminating policies in the form of pillars II or III, which are neither targeted at redistribution nor do they provide for discussion of the topic of replacement rates. The PAYG system would require its own independent capacity for research and evidence-based policy formulations. Data and documents published by the Czech Social Security Administration would be more transparent. There are no relevant and actual evaluations of their economic development (surpluses or deficits) published on their websites. Administrators of the pillars II and III have access to more resources and can finance academic researchers for their own objectives, purposes of political and media communications.

According to the poverty threshold indicators used by EUROSTAT, it may seem that the situation in the Czech Republic were favourable compared with other countries¹¹. However, a relative poverty indicator of 60% of the median income, as used by EUROSTAT, does not reflect upon the fact that the actual purchasing power of the vast majority of the population is low even during their economically active years. The reduction of the pensioners' real income to below one half of their previous gross income leaves them close to the subsistence level. There is a growing number of theses from students focusing on an ageing society and the seniors' problems (Kovářová, 2006; Čížková 2008). They usually reflect the seniors' situation in a more complex approach, including normative aspects, quality of life criteria, their adaptability, etc. The Czech Statistical Office and official research activities organised by the state are mainly positivistic and contribute to a basic description, but not to in-depth and more complex research.

In addition to the above mentioned research activities, valuable and more realistic feedback is provided by civic associations of seniors and trade unions. In the Czech Republic, senior associations play an increasing but still not relevant role. The most interesting one is the Council of Seniors¹² (Výroční zpráva o činnosti Rady seniorů České republiky). The senior associations also cooperate with trade unions. Their growing political power might result in

⁹ Czech Statistical Office, <http://www.czso.cz/>. Household income and living conditions 2006, retrieved from: <http://www.czso.cz/csu/2006edicniplan.nsf/engp/30n2-06>. Expenditures and consumption of households included in the Household Budget Survey in 2007, Volume I - Households by Status and Age of Head of Household, by Municipality Size, Income Brackets, <http://www.czso.cz/csu/2008edicniplan.nsf/engp/3001-08>.

¹⁰ Research Institute for Labour and Social Affairs, <http://www.vupsv.cz>.

¹¹ EUROSTAT poverty indicators for the Czech Republic should be further analysed, as the poverty rate is higher after social transfers than before social transfers.

¹² Council of Seniors of the CR (Rada seniorů of the CR), <http://www.rscr.cz/>.

the future development of a more autonomous administrative control of the PAYG pension system. Yet, such an alternative is strongly dependent not only on the final outcome of negotiations of the elections to the Chamber of Deputies in May 2010, but also on the development of civil society and independent and more critical research, financed and organised by the public sector. The current political power of the private sector is higher and based on strong financial incentives to control private pensions funds. The public sector and its relevant legal and organisational forms are under the pressure of privatisation. Public corporations and neo-Bismarckian models are presented in the media and the private sector as “inefficient” and “old-fashioned” remnants of the previous historical development and state activity.

2.1.4 Critical assessment of reforms, discussion and research carried out

The current discourse on pension policies in the Czech Republic is still open and may result in completely different strategies.¹³ The solutions depend on the approaches employed to tackle not only the social consequences of economic globalisation, but also further economic and social development of the country. The consequences of an introduction of alternative pillars to pillar I is critically determined by the development of incomes and inequalities. Moreover, current returns of pillar III are very low (profit of about 1%) and are strongly determined by future cycles of economic growth and recession.

The political discourse about different approaches to pension reforms (“pension wars”; political debates; different types of discourses) are characterised by two main alternatives, represented, for the one part, by representatives of financial markets together with right-wing political parties with neo-liberal arguments/measures (Harvey, 2005). Representatives of this group are also found in the academic community and public administration. Actors of this part often use lobbying techniques, with prevailing positivist scientific methodology falling short of a normative evaluation of social consequences, demographic projections of ageing societies, the retrenchment of the welfare state, but bringing very soft arguments for the priority of economic growth, or the natural character of existing and future growth of income inequalities. Critical social situations like the ageing of the society may be recognised by these actors as an entrepreneurial opportunity (Klein, 2007; Reich, 2008). Usually, they do not focus on concepts of social exclusion, human rights violation in care or democratic developments. Their approach is oriented towards technical aspects and towards the discussion of a mixed-pillar structure within the pension system.

For the other part, there are usually trade unions, seniors, human right advocates, left-oriented or conservative political parties with preferences on solidarity, social fairness, and a number of representatives of the academic community and public administration. These actors tend to also integrate in their work more normative methodology, evaluation of social impacts (legitimacy), measurement and discourse of income and other types of inequalities, living standard, quality of life, human rights, concepts of justice, conditions of working longer, investments in health and education (Večerník 1997, 2002). The financial sources of these actors are limited to several foundations supporting democratic development (e.g. Open Society Fund, limited state grants to NGOs). Oftentimes they work on a voluntary basis.

The core of the above described policy conflict between the two groups is the control of financing in private pension schemes, entrepreneurial actions in the capital market, in

¹³ In the theoretical discourse, the demographic pressure on pension policies is not so substantial and can be faced by a feasible sustainability of pillar I (Barr 2006). Financial markets are still rather an unstable factor in mixed public-private pension systems. Thus, economic factors play, in fact, a more risky role for pension systems than the demographic development.

combination with the economic globalisation processes. Some of the consequences of such economic and social changes are now being reflected in growing social tensions, inequalities, discrimination and injustice (Hrubec, 2008; Hausner, 2007, Pick, 2008). Independent critical research of the current Czech society is inadequate and there is a need for new approaches to research policy.

Another question concerns the development of the Open Method of Coordination and its impact on the future evolution of the Czech pension reform. The Czech society nowadays confronts a new challenge of critical reappraisal of social policy, its efficiency, appropriateness and the impact of reforms in relation to the objectives agreed in the OMC – adequate retirement incomes and access to pensions for all (Skrivanek 2008). It could be supported also by the progress in the theory of social policy and public economics taught at universities (Hamernikova, 2007; Krebs, 2005; Potucek, 2005; Sirovátka, 2000; Keller, 2005). Innovative approaches to evaluate social protection policies – more people in work and working longer, progress in the research of determinants of health and diseases (Kopulety 2009) – are not widespread. Principles of functional approaches to public finance and welfare reforms in the context of a real convergence process, balancing contributions and benefits of pension schemes in an appropriate and socially fair manner are formulated only marginally in the theoretical discourse or in critical reflections by trade unions (Hamernikova, 2007; Expertni seminar, 2009).

A more general question is why the PAYG system is under scrutiny in Central and Eastern European countries, discussed as incompatible or insufficient in relation to the current economic growth paradigm. In fact, such systems are able to secure higher income levels than funding pillars (Barr, Diamond 2006). Behind the proclaimed causality in political discourse are more important processes in labour market, influencing growing inequalities. It is necessary to start a more complex discussion of these processes in the context of justice concepts like ‘recognition’ and ‘desert’ (Fraser, Honneth 2003, Miller 2001). The current development of growing income inequalities is not sustainable. Winners of such processes in the financial sector and other private companies are positively excluding themselves from society. They are organising separate pension schemes, financing them from their revenues/costs. Losers are just employed in the public or private sector. Their income level is very low and their freedom of development is very limited.

2.2. Health

2.2.1 Overview of the system characteristics and reforms

The Czech health care system started after the 1989 Velvet Revolution with a legacy of the previous regime – an oversupply of beds, a shortage of technologies, low income of health care workers – but also with good human resources, including adequate management capacities and education. The early transformation in 1990-1994 was focused on market oriented reforms in the provision of health care services together with a provider/purchaser split, including a pluralistic public health insurance model and a fee-for-service payment. This resulted in uncontrolled growth of total health care expenditures and, thus, in the following period 1995-1997 it was necessary to regulate the health insurance system: the number of health insurance funds was reduced from 27 to 9 and the Ministry of Health embarked on the process of restructuring the hospital sector (Czech Republic 2005).

The public health insurance system consists of self-administered organisations which are controlled and coordinated by the Ministry of Health, the Ministry of Finance, as well as the Government and the Parliament of the Czech Republic (Chamber of Deputies), and evaluated

in terms of their economic results and insurance plans (monthly by ministries, yearly by the Cabinet and the Chamber of Deputies). The Cabinet and the Chamber of Deputies are informed at mid-year. This mechanism has consistently failed for many years. The Ministry of Health is responsible for the performance of large medical schools. Public administrators in 14 regions and Prague are responsible for the performance of district hospitals and the network of outpatient services, including pharmacies. Health care providers are financed by health insurance funds. But there is no coordination between the regional public administration and public health insurance funds. Communication between regions and the Ministry of Health is very difficult.

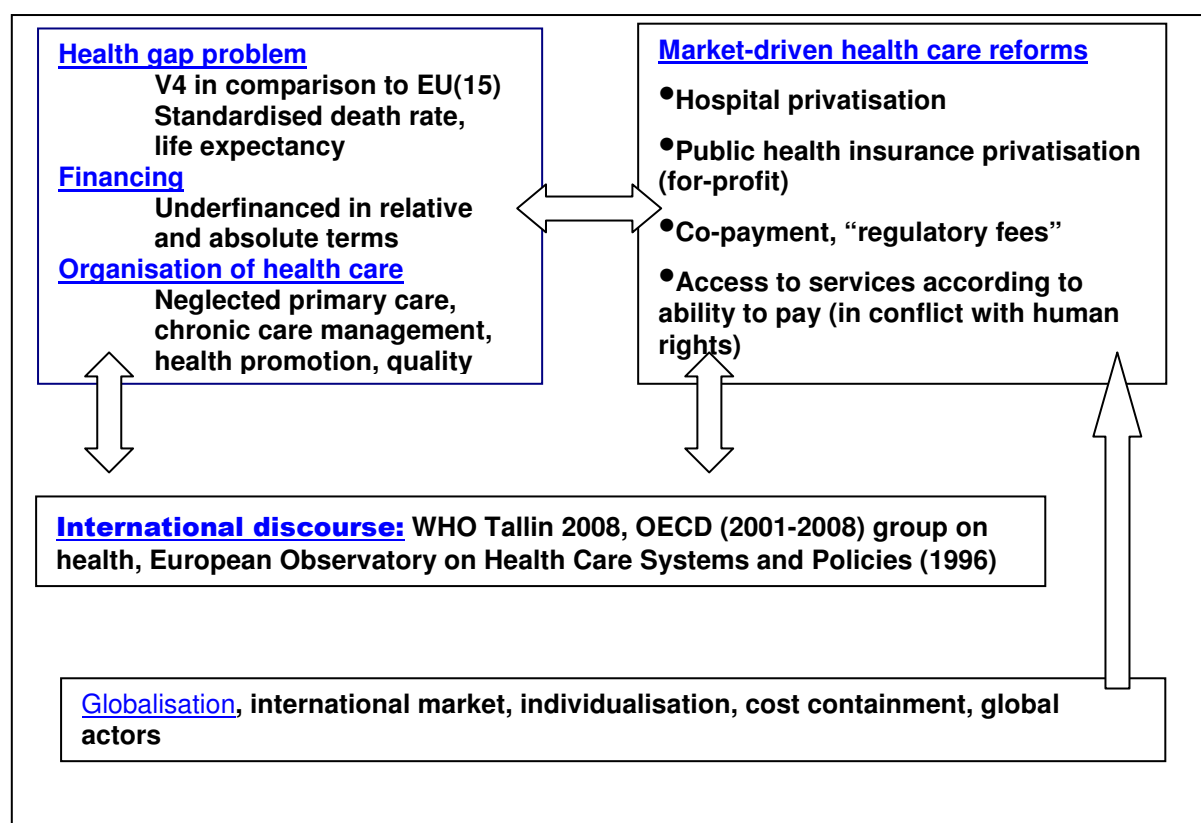
Another reform period before the accession to the EU was devoted to a public administration reform and to the decentralisation of acute hospitals' administration from the state level to the regional level. Health care providers were suffering for many years from an unbalanced allocation of resources in the public health insurance system, due to a faulty system of risk adjustment. Eight health insurance funds had growing surpluses and one large health insurance fund continual losses. The problem was solved in 2006, after many years of recurring discussions. The pre-accession period was an opportunity to modernise and update health care legislation (medical devices; pharmaceuticals; public health; health care workers and their education) and its quality. However, this was only partly effective. Health policy priorities were oriented towards further autonomy of the hospital sector. The organisational and legal form of many hospitals was changed by establishing institutions under private law which were still publicly owned – i.e. prepared for privatisation (Rokosova et al. 2005).

The most profound reform changes were planned after the 2006 parliamentary elections resulting in a right-wing coalition government. The leading political party (ODS – Civic Democratic Party) and its Minister for Health prepared several new acts which were targeted at the privatisation of large hospitals with medical schools and all nine public health insurance funds. At the beginning of reforms in January 2008, regulatory fees were introduced for all kinds of services and for all patients, without any social exemptions. Furthermore, ceilings of contributions for high-income groups were implemented.

The above described health care reforms were characterised by strong interests on the part of the health care providers and administrators of the health insurance system. But more attention to the health care system was also paid by entrepreneurs from other sectors and countries, financial markets, and health care policy was influenced by these different groups of actors, with different aims and objectives. After 2000, during the last reform period (2006-2008), an increased influence of neo-liberal measures and principles could be observed. Reforms in Visegrad countries were organised according to the same global scenario (Hava, Maskova-Hanusova 2009).

Such health care reforms were not aimed at the existing health gap problems, organisation of primary health care services or quality management in accordance with the international discourse of such problems, but on for-profit privatisation of health care services and health insurance.

Figure 1: Global context of health care reforms



The Czech health care system is still on the crossroads between a European social model and its American market alternative. Political decision is still in two minds about the alternatives. For-profit privatisation of publicly owned hospitals and public health insurance would represent a practically irreversible change with consequences regarding access to health care. The development has been quite worrying, since only a limited number of citizens and policy actors have been fully aware of the risky consequences (Hava, Maskova-Hanusova, 2007a,b). Total health care expenditure has been on the level of 7% of GDP for many years and is growing in absolute terms per capita. It is determined by economic policy, economic growth and political decisions (contribution rate, transfers from the state budget to health insurance funds, out-of-pocket payments). Health care shadow economies may represent another 1% of GDP (personal estimation based partly on previous surveys in 2004, 2005).

Since 2008, the Czech Republic has been going through residual public finance reforms and through private substitution of public financing. Total health expenditures on the level of 7% or 8% of GDP are still below the average of EU-15 or OECD (Knobloch 2006; OECD 2009).

A continuation of the neo-liberal approaches in the Czech health policy and financing of health care would result in the severe growth of inequalities of access to care and a widening of the health gap (Háva, 2008, 2009). After alternative privatisation and conversion of public health insurance funds into private for-profit organisations with a profit of 15%, this would mean lower actual financial resources. Such development could result in a lack of modern technologies and a lower level of quality of health care. In fact, it would be the introduction of a two-tier system for higher and lower income groups or an even worse version, corresponding to the present situation that all are members of public insurance but, commensurate with the ability to pay more, some patients would be able to receive better care.

2.2.2 Overview of debates and the political discourse

Recent health care reforms in the Czech Republic have been influenced by economic interests. The Czech society has not yet managed to develop a sustainable balance between financial interests and their social consequences. A major role in this plays a lack of legal awareness and collective identity. The 2007-2009 Government too one-sidedly put the emphasis on the financial goals of its economic policy, and did not fully appreciate the significance of social goals. This became manifest in low expenditures on education, health care and social policy (see data in OECD Fact Book, 2006, 2007, 2008 e.g.). Reform efforts (2007-2009) met with fierce criticism from the opposition as well as from certain Members of Parliament from the government coalition parties. The position of citizens as actors of health policy is weak. They are not informed, access to economic data is limited and rather complicated and difficult to understand.

Health insurance funds are, in fact, public corporations, but public representatives in these corporations are not democratically elected and they do not act according to their role as public owners. There is still little understanding of governance in the public sector, of distinctions between public and private law and of the mix of the public and private sector, and of market failures. The consequences of economic globalisation – reduction of the public sector and solidarity, the loss of collective identity – play a major part in Czech health care policy. Media discourse, however, does not sufficiently reflect on the newly developing risks for the further development of the health care system. Paradoxically, the media often pay more attention to numerous technical details of regulatory fees. Civic society is starting to reflect critically upon the situation. There is, however, a shortage of information and, consequently, a lack of knowledge. It would, therefore, be very useful to provide translation of some of the numerous relevant books and documents published by the EU, the European Observatory on Health Care Systems and Policies and the OECD. European structural funds are used in the Czech Republic primarily in the area of e-health, with little attention paid to other sectors.

During the last year (from May 2009 to May 2010) health policy-making was practically stopped. This situation was comparable in respect of pension reforms. During this period, the Government was without political mandate. Policy makers are still, at the beginning of June 2010, waiting for the result of political negotiations in respect of the new government.

According to public opinion surveys before the parliamentary election, the Czech social democratic party was generally expected to win this election. But Czech voters were very critical towards both main political parties, the Civic Democrats (20%) and the Social Democrats (22%). Both political parties lost about 10% of their electorate. At the same time, the new political party TOP09 received about 17% of votes. Another new political party, the VV (Public Affairs), will be represented in the Czech Parliament, having won 11% of the votes. This small and new political party will decide about the future development and orientation of Czech policy-making, including health and pension reforms. It is not easy for political commentators and analysts to predict the action of this new political subject. But according to the content of the political communication in the last year, together with very weak research support and feedback, it is feasible to expect, that the policy-making process will be more pragmatic and uncertain as regards long-term sustainability and broader social acceptability.

After the parliamentary election in May 2010, it is feasible to expect that right-wing politics will prevail in the next policy-making process. Economic goals together with state budget cuts strongly prevail in policy objectives. It is also feasible to expect further political pressure on a transfer of the financial burden for health care onto patients (in terms of co-payments and

direct payments). In such a case, welfare state economics would be under the strong pressure to reduce expenditures, which could, again, lead to political and social instabilities.

2.2.3 Overview of impact assessment

Basic descriptive and comparative evaluations of the Czech health care system are published by the European Observatory on Health Care Systems on behalf of the European Office of the WHO in Copenhagen (Rokosova et al., 2005; Highlights on Health 2005, Czech Republic 2005).

The Czech health care system suffers from a number of imbalances in its financing and its organisational arrangements, as well as from a low level of social responsibility (Rokosova 2005; Háva, 2008, 2009). Its financial resources are on a lower overall level than the average of developed OECD or EU countries. The health gap and the gap at the economic level (the share of overall health care expenditures in GDP and the absolute amount of expenditures recalculated per capita), alongside problems in the sphere of human resources, health promotion and insufficiently developed mechanisms of a modern system of governance, are producing an unsustainable situation for the further development of the Czech health care system.

Despite the fact that they are posing major problems with regard to health promotion, health care organisation or financing, issues such as obesity, tobacco consumption, the mental health reform, the primary health care reform, the development of public corporate governance, transparent data collection and processing, together with easy public access were not the important subject of the reforms. The health gap (in terms of standardised mortality rates or life expectancy) of the Czech Republic in comparison with the EU-15 is widening, the incidence of tumours is one of the highest in international comparison. The Czech Republic has currently no action plan against obesity. Health promotion infrastructure and effectiveness are weak (Hodnocení politiky podpory zdraví, 2004).

There are differences in the access to health care in terms of a novel supply of private services for patients who are able to pay more (in Prague). The respective facilities may contract insurance funds and, at the same time, also ask for out-of-pocket payments. They offer their patients what they call a higher quality of care – no waiting times, preventive care etc. Health technology assessment is not used to an effective scale. The evaluation of health and health care policies is still insufficient.

The development of the Czech society is oriented towards higher individualism. This trend is also included into the principal orientation of health policy. Disciplines like public health and health promotion are not accepted as an effective collective action. In practice, this leads to underestimated control of risk factors, such as tobacco and obesity. Health policy is focused on medical services, which provide care to individual patients. Impact of such policy orientation is represented by growing obesity and tobacco smoking in the young generation.

2.2.4 Critical assessment of reforms, discussion and research carried out

To the public, reforms reducing the public role are explained by the authors of the reforms, in the terms of their short-term approaches and causes, as a necessary consequence of the achievement of the economic convergence criteria (EU accession; single currency). In the long run, such a strategy can easily constitute a disruption in the accessibility of health care and the development of two levels of health care, depending on the patient's ability to pay. But such an approach could lead to increased social exclusion of more groups in the future.

Present health care policy makers scare the public with the consequences of future demographic developments. Many politicians understand demographic developments as inevitable, without looking for ways of addressing them or discussing the factors which cause them. Demographic developments have become a kind of handy argument for liberal politicians supporting the “shock changes” of related policies, without further talk of legitimate and socially beneficial alternatives of public and social policies. The health care reform of 2008, introducing regulatory fees payable by patients who were hospitalised, visiting a physician or purchased drugs at a pharmacy, led to a reduction in the utilisation of health care services. But this measure led to the discrimination of low income groups and caused a lot of dissatisfaction, even in the ranks of politicians in opposition. In the elections of autumn 2008, this regulatory experience was considered by many patients as negative. After a public and political debate, major liberal reform measures were stopped (e.g. privatisation of large hospitals and public health insurance funds – both these measures were in conflict with applicable law).

When comparing total health care expenditures (THCE) in relative and absolute terms it can easily be recognised that health care systems in such countries like the Czech and Slovak Republic or Hungary and Poland are underfinanced in comparison with EU-15. More OECD member countries have raised their total health care expenditures as a percentage of GDP from 6 to 9.5 (on average). This development is strongly influenced by new effective technologies and is also related to an improved health status in terms of mortality rates. During the past 15 years, the Visegrad countries have continued their financing at the level of 6%. Yet, more developed countries raised their THCE as a percentage of GDP, even during the period of slow economic growth. Health was accepted in these countries as a priority. In comparison with this trend, the current health care reforms in the Visegrad countries are oriented towards totally different objectives: to achieve lower utilisation of health care services, and lower THCE. This means, at the same time, worse parameters of health status (life expectancy, mortality rate) than in the EU-15. It is questionable if such an orientation of health care reform can be regarded as a politically acceptable decision, creating a long-term comparative disadvantage. A modern approach of primary health care includes a coordinated provision of services by general physicians and specialists. With regard to the number of staff or the character of human resources management in the health care sector, the prevailing approach in the Czech Republic is liberal, relying on market forces. Now, the country is approaching a new era of managed care and a further reduction and cost containment strategies can be expected. Such trends would, nevertheless, be incompatible with the current debate of the labour market concept of “living longer - working longer”.

In the hospital sector, no such thing as a group purchasing of medical devices has been implemented. This sector loses more than CZK 10 billion each year. Several relevant activities in the field of research, assessment and evaluation were, in fact, stopped. In 2005, the Institute of Health Policy and Economics, the research institute of the Ministry of Health responsible for the scheduling of health policy research, health services research, health promotion and health economics, was abolished.

Quality improvement in the health care sector lacks a number of factors, ranging from proper health care legislation, an effective pharmaceutical therapy system (medication policy), education and human resource management in health care, health care service research, all the way through to the development of treatment procedures and standards.

The present political discourse in the Czech Republic interprets the ageing of the society as a problem rather than a challenge to which we must respond in line with existing human rights related to health. Human rights related to health are a neglected aspect, as well as their efficient reception and, above all, deficits of human rights protection mechanisms. The

recently discussed changes in the organisational and legal form of hospitals and health insurance funds could mean nearly irreversible long-term implications.

2.3 Long-term care

Long-term care services form part of primary health care services and comprise home care, rehabilitation facilities, daily stationary health and social care, residential long-term care facilities in the health and social care sector, psychiatric hospitals, mental health care at community level, psychotherapists/psychologists, pharmacies, meals on wheels, as well as different types of social services. Long-term care services are in the competence of two ministries: the Ministry of Labour and Social Affairs (social sector), and the Ministry of Health (health sector). It is not easy to achieve efficient coordination in the policy-making process of these two ministries and, linked with this, also at community level (policy implementation). The Czech society is trying to find the optimum in the public-private mix of long-term care.

Long-term care in the social sector is currently provided according to the Act No. 108/2006 Coll. on Social Security. Since the reform change in 2006, new market-oriented principles have been implemented (deinstitutionalisation of services, contracting of services between providers and users, and purchasing of services directly by users who receive financial benefits). General principles of the Act No. 108/2006 Coll. on Social Security are up-to-date and in agreement with human rights related to social rights. But the implementation of this new tool in the provision of social services is, nevertheless, connected with many unexpected practical problems as to their organisation, administration and financing (Social Services; Matoušek, 2007). There is an obvious need for better regulation of this sector, using evidence-based approaches (evaluation research).

An important coordinator for the provision of health care services at community level is the general practitioner. They also coordinate care in respect of acute hospital care and inpatient long-term care. The coordination of care and rehabilitation in inpatient long-term health care facilities (e.g. following a myocardial infarction or stroke) functions well, except for small area variances. Home care is provided by agencies – some of them coordinate health and social care.

Long-term care facilities (both in health and social sector) are confronted with growing problems, as they are underfinanced. Long-term care is not effectively coordinated at community level. The primary health care segment is neglected and physicians are not systematically involved in further education focused on geriatric care. The outcomes of long-term care and the health status of elderly people above the age of 64 are below the EU average (old Member States). The health gap of this age group is growing, and 10% of the elderly in residential social care facilities are victims of abuse (Habart, 2005). But the Government and the Ministry of Health had other priorities (privatisation) on their agenda, rather than optimising long-term health care. Against this background, long-term care is, in fact, seriously vulnerable. There are differences in the level of care. Some inpatient long-term care facilities provide good quality, but, unfortunately, they are in the minority. The relation between health outcomes and long-term care is not satisfactorily analysed. It would be useful to analyse the health status of elderly people (general and specific mortality rates, international comparison).

Already last year, the Czech Association of Patients asked the Ministry of Health for a central register of complaints, yet there has been no reaction so far. Protectors of human rights play an important role, especially in mental health long-term care facilities, where an intense discussion about the quality of services has been embarked upon. There have also been voluntary activities in facilities of long-term social care, which have helped to improve the

situation in several cases of bad managerial practices and abuse of clients. Moreover, relatives of patients have a stake in the improvement of quality, too. It is noteworthy to point out that civic society activities play an important part in this respect.

3 Impact of the Financial and Economic Crisis on Social Protection

The Czech Republic is currently facing two parallel economic changes/crises: firstly, it is confronted with consequences of its own reform changes, politically decided¹⁴ at the end of 2007, and implemented as from January 2008 (reduction of tax and social contribution, cutbacks in public spending – see Table 2: Main macroeconomic indicators; preliminary forecast of government expenditures). It was expected, that shortages from income tax would be substituted by VAT and consumer tax. But the objectives of the reform of public finance (so-called stabilisation of public budgets) expected a mere 0.5% increase of government expenditures in 2009 and a 0% increase in 2010. In fact, the public sector is under the pressure of serious shortages. This situation cannot be sustained, and one must expect difficulties in the public sector in the next two years if no corrections are made. It is necessary to mention here that tertiary education and health care have been among those areas suffering from underfinancing for several years.

At the same time, it is surprising that such anticipated zero growth in state expenditures was accepted by the Chamber of Deputies. But, what is even more troublesome is the fact that the Czech Republic falls short of a real economic policy which would represent the framework for a holistic evaluation of the relations between public finance revenues and expenditures together with economic and social objectives of the country. Czech documents related to the Lisbon Strategy (National Reform Programme and other related documents and activities) are rather formal in this respect, i.e. they do not sufficiently reflect on an economically and socially responsible approach to public policy.

Table 2. Forecast of main macroeconomic indicators

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
|--------------------------------------|-------------------------------|------|------|------|------|----------|------|-------------------|------|------|
| | | | | | | Forecast | | Previous forecast | | |
| Gross domestic product | <i>growth in %, const.pr.</i> | 6,8 | 6,1 | 2,5 | -4,2 | 1,5 | 2,4 | -4,0 | 1,3 | 2,6 |
| Consumption of households | <i>growth in %, const.pr.</i> | 5,2 | 5,0 | 3,6 | -0,2 | -1,1 | 2,0 | 1,4 | -0,8 | 2,0 |
| Consumption of government | <i>growth in %, const.pr.</i> | 1,2 | 0,7 | 1,0 | 4,4 | -2,5 | -0,9 | 4,0 | -1,7 | 1,0 |
| Gross fixed capital formation | <i>growth in %, const.pr.</i> | 6,0 | 10,8 | -1,5 | -8,3 | -3,7 | 2,5 | -7,5 | -3,7 | 2,5 |
| Cont. of foreign trade to GDP growth | <i>p.p., const.pr.</i> | 1,5 | 1,1 | 1,3 | -0,5 | 1,8 | 0,7 | -0,6 | 1,5 | 0,6 |
| GDP deflator | <i>growth in per cent</i> | 1,1 | 3,4 | 1,8 | 2,7 | 0,2 | 1,1 | 3,1 | 0,5 | 1,0 |
| Average inflation rate | <i>per cent</i> | 2,5 | 2,8 | 6,3 | 1,0 | 1,5 | 2,3 | 1,0 | 2,0 | 1,8 |
| Employment (LFS) | <i>growth in per cent</i> | 1,3 | 1,9 | 1,6 | -1,4 | -0,6 | 0,1 | -1,4 | -1,8 | 0,0 |
| Unemployment rate (LFS) | <i>average in per cent</i> | 7,1 | 5,3 | 4,4 | 6,7 | 7,9 | 7,8 | 6,7 | 8,8 | 8,6 |
| Wage bill (domestic concept) | <i>growth in %, curr.pr.</i> | 7,9 | 9,4 | 8,7 | -1,7 | -0,1 | 4,3 | -0,3 | -0,7 | 4,5 |
| Current account / GDP | <i>per cent</i> | -2,4 | -3,2 | -0,6 | -1,0 | 0,4 | -0,5 | -1,0 | 0,5 | -0,2 |
| <i>Assumptions:</i> | | | | | | | | | | |
| Exchange rate CZK/EUR | | 28,3 | 27,8 | 24,9 | 26,4 | 25,5 | 24,6 | 26,4 | 25,8 | 24,8 |
| Long-term interest rates | <i>% p.a.</i> | 3,8 | 4,3 | 4,6 | 4,7 | 4,0 | 4,0 | 4,7 | 3,8 | 4,0 |
| Crude oil Brent | <i>USD/barrel</i> | 65 | 73 | 98 | 62 | 81 | 92 | 62 | 81 | 92 |
| GDP in Eurozone (EA-12) | <i>growth in %, const.pr.</i> | 2,9 | 2,7 | 0,6 | -4,1 | 1,1 | 1,9 | -3,9 | 1,1 | 1,9 |

Source: Macroeconomic Forecast Czech Republic, Ministry of Finance, April 2010

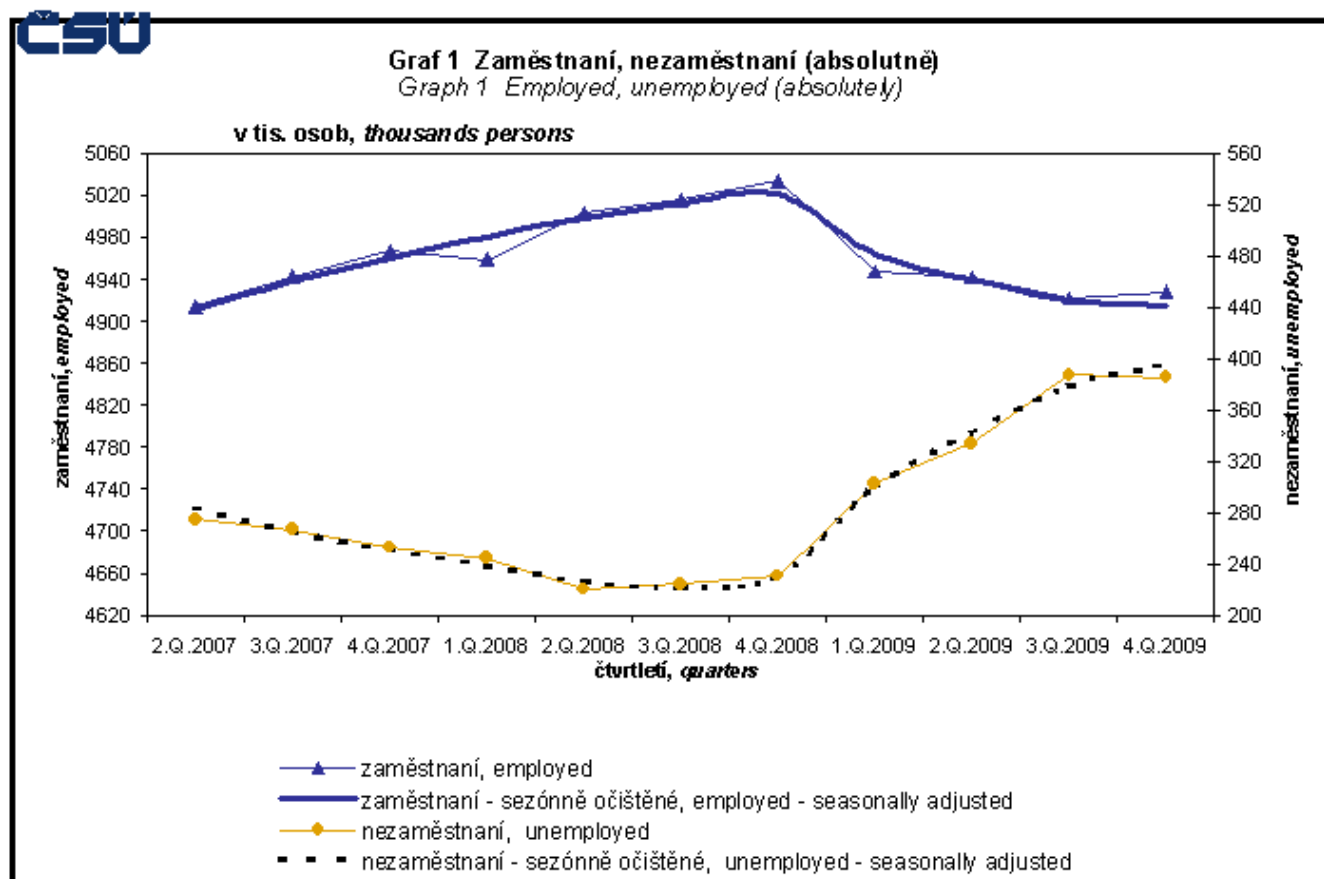
Further to the national reform measures taken as described above, the national economic crisis has been severely accelerated by the global financial and economic crisis.

¹⁴ Act on stabilisation of public budgets No 261/2007 Coll. from 19 September 2007.

3.1 Impact on labour market developments

Both of the above mentioned economic processes have been influencing domestic demand and have social consequences in terms of growing unemployment (see Table 2 and Graph 2), high inflation (about 6% in 2008), and cuts in social, health and education expenditures).

Graph 2: Employed, unemployed (absolutely)



Source: Czech Statistical Office

Possibilities to mitigate the influence of the economic crisis are limited, due to a marked dependence of the Czech economy on export. Short-term effects as to growing domestic demand can be expected from a promotion of household consumption or infrastructural investment from public budgets. Long-term solutions for improvement are of structural character and would be based on modernisation, research, education and the development of new products, as well as a diversification of export markets (Economic crisis, 2009).

3.2 Measures discussed to tackle the crisis

Political discourse about the economic crisis and its impacts started in the Czech Republic in November 2008. In January 2009, Prime Minister Topolánek established an expert advisory and consultative body to the Government of the Czech Republic dealing with questions of the economy – the Government's National Economic Council (NERV, 2009). A National Anti-Crisis Plan was introduced on 18 February (Národní protikrizový plán, 2009).

In January and March 2009, the Czech-Moravian Confederation of Trade Unions (CMKOS) published a study analysing the present economic crisis (Economic Crisis, 2009). It is a two

part document, published in Czech (the English version was published in April 2009). CMKOS is a formal partner of the Czech (tripartite) social dialogue between the Government, the trade unions, the Confederation of Industries of the Czech Republic, and the Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic. Social dialogue is roofed under the Council of Economic and Social Agreement by the Ministry of Labour and Social Affairs. This tripartite platform for social dialogue with the Czech Government meets regularly on a monthly basis. CMKOS was among the most critical actors in the period 2006-2009 and organised several warning strikes. The Confederation also formulated a set of suggestions in reflection on the National Anti-Crisis Plan.

The Czech economy is highly dependent on foreign trade with Western European countries. Czech manufacturers currently often find themselves in the position of subcontractors working for foreign companies. Consequences of decline in production growth, and unemployment have resulted in the reduction of tax revenues and payments of social security and health insurance contributions. The financial sector, however, remained untouched by the economic crisis. Financial institutions ended their economic activity with relatively large profits. In 2009, there was a decrease in the total volume of wages by only 2%. In many sectors, wages grew year on year in 2009.

GDP decline involved a decrease in consumption and a simultaneous decrease of bank loans. At the end of 2009, GDP growth returned. But the unemployment rate has not yet decreased. On the contrary, in 2010, predictions of economic development are considering the worsening of unemployment. In this context, the Ministry of Finance predicts a financial deficit in the system of PAYG pensions amounting to CZK 35 billion in 2010. Similar problems should also be expected in the collection of contributions to health insurance.

The Government and the Ministry of Finance focused on a more balanced approach to the state budget in the second half of 2009. They succeeded in the implementation of measures to strengthen the revenue side (approved by the parliament in 2009). Detailed description of these measures can be found in chapter 5 of the Convergence Programme (January 2010) - see Box 1 below for a summary of the expected outcomes.

It is possible to see that the tax burden in the Czech Republic was reduced to 33.2% in 2009. Also, the planned levels of tax burden in the coming years are lower than in 2008. It is questionable if the Czech Republic can continue with this approach to its tax policy without serious financing problems in areas such as higher education or research. The Czech economic policy needs to be reviewed in this context. It is unsustainable to continue with split or separate political decisions on tax policy, budget and economic policy, as is currently the case. A comprehensive approach to these policies should be based on a more sophisticated evidence-based background, including a more effective and realistic debate on the topic of structural economic development. Changes in tax policy in the last decade were often based more on beliefs in economic growth without social consequences than the importance of the role of the welfare state.

Box 1: Measures to strengthen the revenue side approved by Parliament in 2009

Personal income tax

In the area of income tax, the tax exemption on compensation (with the exception of that listed by law) to institutional officials was cancelled with a positive annual impact of CZK 0.1 billion. Moreover, lump-sum deductible expenses for independent professions and authors' royalties were reduced. Here, the revenue increase is projected to be CZK 1.5 billion in 2010, and CZK 1.6 billion in 2011 and CZK 1.7 billion in 2012.

Property taxes

From 1 January 2010, the real property tax rate will double for most buildings and plots of land. The revenue from this change, all of which goes into the municipal budgets, is expected to be CZK 2.8 billion for 2010, approximately CZK 2.9 billion for 2011 and about CZK 3 billion in 2012.

VAT

From 1 January 2010, both VAT rates will increase by 1 percentage point, i.e. the basic rate will increase from 19% to 20% and the reduced rate will increase from 9% to 10%. The expected revenue from this measure on an accrual basis is estimated to be CZK 17.8 billion in 2010, CZK 18.1 billion in 2011 and CZK 18.5 billion in 2012.

Excise taxes

From 1 January 2010, the rates of the following taxes will be adjusted:

- The excise tax on fuels is increased by CZK 1 per litre, with an expected increase in collections of CZK 7.6 billion in 2010, CZK 7.7 billion in 2011 and CZK 7.9 billion in 2012.
- The excise tax on alcohol is increased from CZK 26,500 to CZK 28,500 per hectolitre of ethanol, except for the alcohol in fruit spirits from producer distillation, for which the tax rate is increased from CZK 13,300 to CZK 14,300 per hectolitre of ethanol. This measure is expected to increase collection by CZK 0.5 billion in each year of the medium-term outlook of 2010–2012.
- The excise tax on beer is increased in respect of the basic rate by CZK 8, from the current level of CZK 24 for each degree Plato per hectolitre to CZK 32. Reduced rates for small independent breweries are also increased by between CZK 4 (for breweries with production of up to 10,000 hectolitres per year) and CZK 7.20 (for breweries with production ranging from 150,000 to 200,000 hectolitres). The revenue from this measure is estimated to be CZK 1.2 billion in each year of the medium-term outlook of 2010–2012.
- The excise tax on tobacco products will also be increased. In the case of cigarettes, the fixed tax rate will be increased from CZK 1.03 per cigarette to CZK 1.07 per cigarette, and the minimum amount of tax will be increased from CZK 1.92 per cigarette to CZK 2.01 per cigarette. The excise tax on tobacco will be increased from CZK 1,280/kg to CZK 1,340/kg. The revenue from this measure is estimated to be CZK 1.8 billion in 2010 and CZK 2 billion in each of the subsequent two years.

Social and health insurance

The reduction in the health insurance rate by 0.9 percentage points, initially planned to start from 2010, has been postponed by one year and will apply as from 1 January 2011. At the same time, the ceiling for the premium assessment base increases from 48 times the average monthly wage to 72 times the average monthly wage. In the case of social insurance, this measure is valid only for 2010, while in the case of health insurance the law does not set any time limitation. Furthermore, insurance credits have been cancelled. The impacts of such measures are anticipated based upon the accrual methodology as an increase in revenues by CZK 32.6 billion in 2010 and CZK 1.6 billion in 2011 and 2012 against the no-policy-change scenario.

Source: Convergence Programme Czech Republic. January 2010. Ministry of Finance of the Czech Republic.

Table 3: General government revenues

| % of GDP | ESA code | Year | Year | Year | Year | Year |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | 2008 | 2009 (1) | 2010 (2) | 2011 (2) | 2012 (2) |
| Components of revenues | | | | | | |
| Total taxes | | 19,6 | 18,1 | 19,1 | 19,1 | 19,0 |
| Taxes on production and imports | D.2 | 11,0 | 11,1 | 11,9 | 11,6 | 11,3 |
| Current taxes on income, wealth etc. | D.5 | 8,6 | 7,0 | 7,2 | 7,5 | 7,6 |
| Capital taxes | D.91 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Social contributions | D.61 | 16,2 | 15,1 | 15,4 | 15,6 | 15,6 |
| Property income | D.4 | 0,9 | 0,9 | 1,0 | 0,9 | 0,9 |
| Other | | 4,2 | 4,9 | 5,1 | 5,1 | 5,1 |
| Total revenue | TR | 40,9 | 39,0 | 40,5 | 40,8 | 40,5 |
| p.m.: Tax burden | | 35,8 | 33,2 | 34,5 | 34,7 | 34,6 |

(1) Prediction.

(2) Outlook.

Sources: Czech Statistical Office (2008), Ministry of Finance.

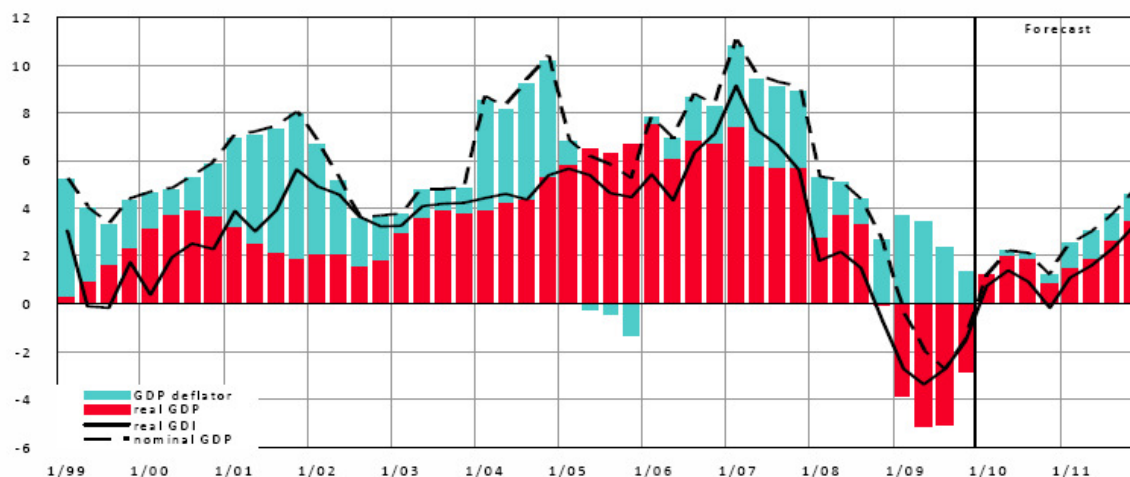
The Ministry of Finance published key documents relevant for the assessment of further economic and social developments: (1) Convergence Programme Czech Republic (January 2010), (2) Macroeconomic Forecast Czech Republic (April 2010), (3) Fiscal Outlook (October 2009), (4) Lisbon Strategy – National Reform Programme of the Czech Republic 2008-2010. (October 2008).

Czech Government together with the Czech National Bank are expecting a gradual revival of the economic growth, starting in 2010.

Graph 3. Real GDP – year-on-year growth in %

Graph C.1.3: Gross Domestic Product and Real Gross Domestic Income

YoY growth rate, in %



Source: Macroeconomic Forecast (April 2010)

The low-inflationary development was interrupted in 2008 (inflation reached 6,3%, on an HICP bases). Previous inflation target of 3% was newly formulated of 2% (plus/minus 1% point tolerance band). Such monetary policy measure would mean also a more stable development even for social security system.

Graph 4: Consumer Prices

Graph C.2.1: **Consumer Prices**

YoY growth rate, in %



Source: *Macroeconomic Forecast (April 2010), MOF*

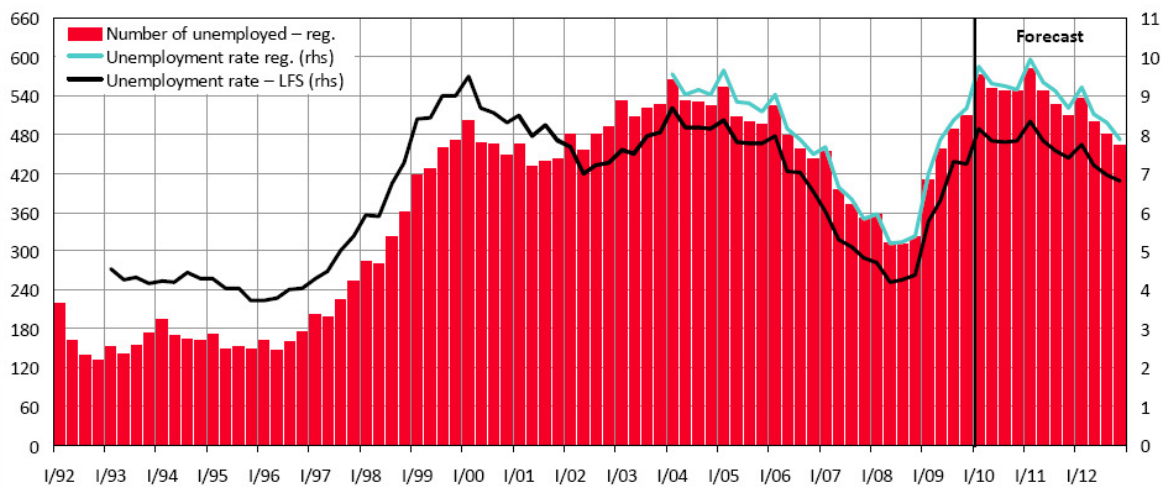
The country went through a political crisis in the last year. Political parties were focused on the parliamentary election in May 2010. The dominating agenda was related to the fight between the left and right-wing political parties. The expert government was more oriented on technical aspects of the deficit of the state budget and an excessive deficit procedure. More sensible government actions were limited in the face of the excessive deficit. Social problems (unemployment) were solved with the use of legally defined standard stabilisers together with other fiscal measures supporting economic growth.

Another dimension of the whole problem is necessary to discuss the structure of future economic production. Financial markets and the Government are primarily oriented on high-profit production. It is also determined by the free market and competition ideology in the context of economic globalisation. Such a strategy of “profit over people” or “profit management” is not open to discourse about alternatives known as social economics and geographic economics. The existing structure of the Czech industrial production is too vulnerable. Structural policies are the Achilles heel of the Czech economy.

Graph 5. Unemployment

Graph C.3.2: Unemployment

quarterly average, in thousands of persons, in % (rhs)



Source: Macroeconomic Forecast (April 2010)

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5 Abstracts of Relevant Publications on Social Protection

[R] Pensions

[R1] General trends: demographic and financial forecasts

[R2] General organisation: pillars, financing, calculation methods or pension formula

[R3] Retirement age: legal age, early retirement, etc.

[R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.

[R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health

[H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.

[H2] Public health policies, anti-addiction measures, prevention, etc.

[H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.

[H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.

[H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)

[H6] Regulation of the pharmaceutical market

[H7] Handicap

[L] Long-term care

[R1] ČIHÁK, M. Financial Crisis (Introduction), *Finance a úvěr* (Czech Journal of Economics and Finance) 2009, 59(6):502-506
<http://ideas.repec.org/a/fau/fauart/v59y2009i6p502-506.html>

Abstract: Since the bursting of the bubble in the U.S. mortgage market in 2007, the financial turmoil has spread to a wide range of other markets and economies around the world, morphing into a global financial crisis. The five articles in this special issue of the Czech Journal of Economics and Finance cover selected aspects of the crisis, including the contagion from advanced economies to emerging markets, the potential for contagion among European emerging markets, the differentiated impact of the crisis on European economies, and the negative spillovers between market liquidity and banking sector liquidity during the crisis. This introduction provides an overview of the articles in the special issue, putting them into a broader perspective.

[R1] ČIHÁK, M., SROBONA, M., The Financial Crisis and European Emerging Economies, *Finance a úvěr* (Czech Journal of Economics and Finance) 2009, 59(6): 541-553
<http://ideas.repec.org/a/fau/fauart/v59y2009i6p541-553.html>

The crisis has affected all European economies, but it has also brought into relief the substantial differentiation across the region. It demonstrates that it has put an increased premium on sound macroeconomic and macroprudential policies: economies with lower inflation, smaller current account deficits, and lower dependence on bank-related capital inflows have fared significantly better. The crisis has led to the disappearance of the so-called “halo effect”, which was the observation in the pre-crisis period that spreads on sovereign bonds in the new European Union member countries were lower than could be explained by fundamentals.

[R1] KLVAČOVÁ, E., MRÁČEK, K., MALÝ, J., WAWROSZ, P., SEREGHYOVÁ, J., Světová ekonomická krize: Příčiny, projevy, perspektivy, Newton College, Professional Publishing, Praha 2009, 101 pp.

“World economic crisis: causes, expressions, perspectives”

Klvačová, E. Zajetí státu finančními zájmovými skupinami jako hlavní příčina ekonomické krize. (pp. 9-29) Captive state by financial interests as the main cause of economic crisis

Mráček, K. Mechanismus selhání finančního sektoru a jeho důsledky (pp. 30-45) The mechanism of failure of the financial sector and its implications

Malý, J. Sřet o členství v eurozóně v době ekonomické krize: přesvědčivější argumenty zastánců eura (pp. 46-71) Clash on euro membership in times of economic crisis: persuasive arguments of the defenders of the euro

Wawrosz, P. Larosierova zpráva: představa Evropské unie o nové architektuře finančních trhů (pp. 72-87) Larosière report: the idea of the European Union on a new architecture of financial markets

Sereghyová, J. Rizika vývoje světové ekonomiky po odezděnní akutní fáze finanční a ekonomické krize (pp. 88-101) Risk of development of world economy after the acute phase of financial and economic crisis

[R1] SCHNEIDER, O., Reforming Pensions in Europe: Economic Fundamentals and Political Factors, in Finance a úvěr (Czech Journal of Economics and finance) 2009, 59(4): 292-308

<http://ideas.repec.org/a/fau/fauart/v59y2009i4p292-308.html>

This paper analyses pension reforms in Europe and their determinants. It compares long-term forecasts of pension expenditures for seventeen European countries. The larger the decrease in expected spending on public pensions in 2050 between two base years, the more successful a pension reform the country achieved (after controlling for other factors, such as demography). The analysis shows that the reform effort varies widely across countries and over time. In the second part of the paper, factors that may facilitate or hamper pension are analysed. Only the measure of trade union power proves to be significant in explaining pension reforms. However, specific pension system factors are significant and suggest that European governments do reform their pension systems when faced with the threat of escalating pension expenditures.

[R1] SPĚVÁČEK, V., VINTROVÁ, R., Růst, stabilita, a konvergence české ekonomiky v letech 2001-2008, Politická ekonomie (Political Economy) 2010, 1:

“Growth, stability and convergence of the Czech economy in the years 2001-2008”

Economic growth of the Czech Republic strongly accelerated in the years 2005-2007. Substantial decline of economic activity took place at the end of 2008 and in the year 2009. On the supply side the main contributing factors were labour and total factor productivity. On the demand side the growth was pulled by domestic demand and the contribution of foreign trade became positive in the years 2004-2008. Macroeconomic stability improved substantially in the field of foreign trade. The process of real convergence accelerated in the years 2001-2007 and was based on the growth of labour productivity. In 2008 the GDP per capita in purchasing power standards reached 80 % of the EU-27 average. The comparative price level grew quickly from the low starting level, but was far below the relative economic level compared with EU-15. In 2008 a great jump in CPL took place (from 59 % in 2007 to 67 % in 2008 in relation to EU-15).

[R1] STRNADOVÁ, V., Vývoj důchodového pojištění v ČR, Bachelor thesis, Masaryk University Brno, Department of Labour Law and Social Security Law - Faculty of Law, 2010 http://is.muni.cz/th/257805/pravf_b/?lang=en;id=182533

“The Evolution of the Pension Insurance in the Czech Republic”

This Bachelor thesis is devoted to the Pension Insurance with the purpose to clarify fundamental expressions, sources of law, principles and rules of Pension System because without them the system would not work. There are a number of institutions dealing with legislation, pension law under the certain period dealt with in more detail. The main aim of this work was to focus on historical development of legislation which started to adjust the pension system as the first up-to-date operating law. Thus, it is given a greater emphasis on the matter in that chapter. The paper also contains separately three periods of development of the pension law.

[R1, R2] RUDOLFOVA, V. Dlouhodobé důsledky politických rozhodnutí o reformách důchodových systémů v České republice a na Slovensku v kontextu retrenchmentu welfare state, Dissertation thesis, Charles University, Faculty of Social Sciences, Department of Public and Social Policy, Prague 2009

“Consequences of political decisions about old-age pension reforms in the Czech Republic and Slovakia in the long run at a time of welfare state retrenchment“

The dissertation thesis “consequences of political decisions about old-age pension reforms in the Czech Republic and Slovakia in the long run at a time of welfare state retrenchment“ deals with the phenomenon of a pension reform in the decades of retrenchment in two selected countries. Pension reforms and its effects are analysed in the context of welfare state retrenchment. Attention is paid to the definition of this phenomenon and dependent variable problems. It also includes political and ideological aspects of the discussion as important factors affecting public policy-making in this area. Contrary to the current discussion focused on pension reforms which usually marginalise ideological aspects and the policy-making process, in this paper, these aspects are perceived as essential factors affecting pension reform opportunities. Attention is paid to the role of domestic as well as international actors in the pension arena. The Czech Republic and Slovakia were selected for this case study, as they offer an excellent opportunity to analyse the development of two pension policies with the same starting point – the pension system of former Czechoslovakia. The study is inspired by and has its framework in the institutionalist theory and ideas of path-dependency, arguing for stability of path-conditioned changes. The analysis is based on reform classification presented by Hall and Pierson. There is extraordinary attention paid to the pension reforms in current research. But what is still missing, is statistical and empirical evidence, which could tell us more about first and second-order changes according to Peter Hall or parametrical changes of pension schemes and their impact on the welfare state retrenchment in the long run. In this paper minor effort was put towards this kind of discussion through replacement rate and theoretical replacement rate calculations and pension expenditures as a percentage of GDP and its projections. The study argues that the landscape of pension systems is not as frozen as it seems to be. The results indicate that reforms labelled parametrical, which seem to leave the basic principles of the system intact, can have a strong impact on the logic of the system in the long run.

[R1, R5, H3] SUŠA, O., Globalizace v sociálních souvislostech současnosti. Diagnóza a analýza, Filosofie, Praha 2010, 350 pp.

“Globalisation in the social context today. Diagnosis and analysis”

The aim of the book is to show globalisation as an ambiguous complex dynamic processes creating the world today, as a phenomenon with many dimensions and levels. This objective requires a resolution of the various media and scientific discussion and identification of concepts and context of their design. The book is written with the knowledge that the interpretation of reality is constituted in relation to the activities of actors operating in historically structured contexts and constellations of conflicting action of an increasingly global consequences of interactions (economic, technological, cultural, political and environmental changes and processes). The book focuses on social and sociocultural problems on the one hand, raise moral crisis and on the other hand, are political challenges.

[R2] HOLUB, M., Nepříspěvkové doby pojištění – významný prvek české důchodové reformy, Politická ekonomie 2009

“Non-contributory periods – a significant element of the Czech pension reform”

Non-contributory periods is one of the key issues in the public discussion on the planned reform of the pension system in the Czech Republic. This article focuses on a detailed analysis of non-contributory periods in the Czech pension system and their impact on pension system balance and micro and macro economic connections. The extent of non-contributory periods considered in the pension system represents one of the theoretical possibilities of parametric changes to the pension insurance system. The amount of non-contributory periods or the proportion between non-contributory periods and years worked, or the proportion between paid insurance and non-contributory periods (potential loss of insurance contributions) has, to date, merely been estimated in the Czech Republic. The study presents the first accurate figures, based on unique individual data on insured persons. The analysis reveals that non-contributory periods are a significant element of the Czech pension system amounting to 22.4% of the total insurance period. The average duration of non-contributory periods for current pensioners is 8.7 years.

[R2] HOLUB, M., The assessment of the pension base calculation, Research Institute for Labour and Social Affairs, Prague, 2010, 63 pp., http://praha.vupsv.cz/Fulltext/vz_311.pdf

The objective of the paper is to present the possibility of the assessment reference earnings (calculation basis) which are taken into account by the calculation pension. In this paper is present the way of the assessment and treating with reference incomes in selected foreign earnings-related pension schemes. The author subsequently put forward various proposals for the adjustment of the Czech public pension scheme based on the information gathered.

The paper focuses principally on the method of assessment of the reference period, types of income credited for this purpose and the way they are ascertained by pension institutions and the handling of periods falling into the reference period including cases in which the lower statutory income limit has not been reached. The paper also provides information on the benefit formulae applied in foreign earningsrelated pension schemes, the valorisation of income credited, contribution ceilings and pensionable earnings thresholds.

[R2] JAHODA, R., ŠPALEK, J., Pension Reform through Voluntary Opt-Out: The Czech Case, in *Finance a úvěr* (Czech Journal of Economics and Finance), year: 2009, 59(4): 309-333, <http://ideas.repec.org/a/fau/fauart/v59y2009i4p309-333.html>

While some countries have chosen strictly regulated approach towards pension reform, some have given its citizens a choice whether to stay in the old system, or whether to switch to a new one. Such a decision is very complex and whenever the choice was implemented, many more workers switched to a new system than was expected. This paper presents a micro-based simulation model for the Czech Republic that allows to model the individuals' switching decision using several economic and behavioral factors within an old (PAYG DB) and new (FDC) systems. It allows to estimate the proportion of people who would opt-out to a funded pillar. The results indicate that under the assumption of rationality and long run predictability of most parameters, only a small fraction of population would choose the multi-pillar scheme. However, this conclusion holds only under a full rationality. Once this assumption is relaxed, a wide range of switching strategies become viable. Therefore, the expectations that the switch will be popular cannot be based only on economic factors, but must also incorporate behavioral aspects, such as the risk of aversion.

[R2] KOREJS, M., Doplňkové pilíře důchodového systému ČR, Bachelor thesis, Masaryk University, Brno, Department of Financial Law and Economics - Faculty of Law, 2009
“Subsidiary Pillars of Pension System in Czech Republic”

The Bachelor thesis deals with the supplementary pillars of a pension system in ČR and at the same time treats mutual effect of these pillars, including an elementary pension system. The basic focus is aimed at the citizen as a subject of all separated schemas. The thematic priorities are particularly focused on the issue of an old-age annuity.

[R3] MORAVEC, L., Důchodový věk, vývoj právní úpravy, http://is.muni.cz/th/210698/pravf_b/?lang=en;id=182533
“Retirement Age, Development of Legal Regulations”

This work deals with the development of legislation retirement age in the Czech Republic. Recent legislation is subjected to a comparison with EU countries and especially

[R4] KOZELSKÝ, T., Monitoring nákladů práce v ČR a ve státech Evropské unie 2002-2007, Bulletin No 3., Research Institute for Labour and Social Affairs, Prague 2009, 36 pp. http://praha.vupsv.cz/Fulltext/np_no3.pdf

“Monitoring of labour costs in the Czech Republic and EU countries 2002 – 2007”

The annual monitoring of labour cost summarises discrepancies in data of EU countries and data of USA in areas of labour costs, income taxation in connection to social and health security financing and unit labour costs. For capturing the trends the data refers to year 2002, common and last year. With regard to methodological discrepancies, Eurostat's labour force statistics, national accounts, OECD, state financial statement of the Czech Republic and U.S. Department of commerce, Bureau of Economic Analysis data are used. Data specification and completion draw from prestigious institutions practices abroad and RILSA. The annual delay results from the processing deadlines of entry data by Eurostat and ČSÚ.

[R5] RODRÍGUEZ-POSE, A., TSELIOS, V., Mapping Regional Personal Income Distribution in Western Europe: Income Per Capita and Inequality, in Finance a úvěr (Czech Journal of Economics and finance) 2009, 59(1): 41-70
<http://ideas.repec.org/a/fau/fauart/v59y2009i1p41-70.html>

Past studies of regional economic disparities in the EU are fundamentally based on the information provided by macroeconomic variables. This paper considers regional disparities using microeconomic data aggregated at the regional level, paying attention not only to the average, but also to the inequality levels of individual incomes within regions. It maps regional personal income distribution in Western Europe, using data from the European Community Household Panel (ECHP) data survey covering more than 100,000 individuals, for 102 regions, and over the period 1995–2000. The Exploratory Spatial Data Analysis on income per capita and inequality reveals a rich set of findings. (1) There is a strong U-shaped relationship between income per capita and inequality which is highly robust across inequality measurements. (2) 80% of the income inequality in Europe takes place among individuals living in the same region. (3) Regions with similar income conditions tend to cluster, not only within national borders, but also across nations. (4) There is a North-South and an urban-rural divide where northern regions and city-regions have the highest economic development, as well as the lowest levels of inequality.

[R5] HÁLOVÁ, Dana, Intergenerational Redistribution and Solidarity as an Integral Part of a Pension System, in New Economic Challenges, 2nd International PhD Students Conference, Brno, Faculty of Economics and Administration, Masaryk University, 2010, ISBN 978 -80 - 210 -5111 -9. 2010, Brno

[R5, H3] KELLER, J., Tři sociální světy. Sociální struktura postindustriální společnosti, Slon, Praha 2010

“Three social worlds. Social structure of postindustrial society”

This work deals with the changes in the social structure of society today. Author defends the argument that the company is moving from the simple inequality to total incommensurability. This thesis demonstrates the range of data and monitor processes that are causing this change. It presents the characteristics of the three social worlds (elite, middle class, regraded), which is rapidly moving away from each other and live in incommensurable conditions. At the same time the book describes how the social sciences are hiding the transition from inequality to incommensurability. In this context, the author analyses the concepts such as social capital, social exclusion and new social risks. It connects the theory of social stratification, sociology of the city, sociology of organisation and some other disciplines, and shows how a social incommensurability threat to democracy and open society for the future.

[R5, H3] PICK, M., Stát blahobytu, nebo kapitalismus. My a svět v éře neoliberalismu 1989-2009, Grimmus, Všeň 2009

“Welfare state and capitalism. We and the world in the era of neoliberalism 1989-2009”

The book is a compilation of selected articles of the author. The author analyses the economic development of Czechoslovakia and the Czech Republic from 1989 to the present. Author brings a perspective that is not afraid to critically analyse the Czech economic transformation and its impacts on the Czech society. Klaus transformation gives the context of neoliberal dragging under the Washington Consensus, also notes the developments in other postcommunist countries, analyses the Chinese economic miracle and gives his views on the causes of the current financial and economic crisis.

[Health]

[H1] KRŮTILOVÁ, V., Dopady regulačních poplatků na domácnosti, Zdravotnictví v ČR 2010, 1:

“Impacts of user fees in health care on households”

Background: The user fees were implemented into the Czech health care system in 2008. There has been a discussion whether the implemented user fees are possible to have a negative impact on the budgets of patients and can restrict the access to the consumption of health care. Therefore this paper focuses on the effect of user fees on the budget of the Czech households and the changes in the structure of their out-of-pocket payments. Methods: The methodology of the World Health Organisation was used for the analysis of the impact on budgets. The used data was derived from the Household Budget Survey 2007 and 2008 published by the Czech Statistical Office. Five types of households were monitored (households headed by employed person with and without children, households of unemployed, self-employers and households of pensioners). Results: The results show that the households of pensioners faced to the highest increase in out-of-pocket payments and overall the highest out-of-pocket payments in 2008 as well. The household headed by unemployed person had also significant out-of-pocket payments in 2008. The smallest increase in out-of-pocket payments is observed by the households of employees with children. They paid the smallest amount of user fees in 2008. Regarding the changes in the structure of out-of-pocket payments, the majority of the observed households decreased their expenditure on medicaments sold without prescription as a result of user fees implementation and increase in medicament prices and co-payments. In general, expenditure on above standard services dropped. Conclusion: The user fees implementation increased particularly the expenditure of vulnerable households (pensioners), however the effect on the changes in out-of-pocket payments structure in 2008 was not so significant.

[H1] ZÁPÁL, J., Doctor-Visit Co-Payment Exemption for Children: First Look at the Data, in Finance a úvěr (Czech Journal of Economics and finance) 2010, 60(1): 58-72

<http://ideas.repec.org/a/fau/fauart/v60y2010i1p58-72.html>

This paper uses the abolition of children's doctor-visit co-payments effective since April 2009 as a natural experiment to estimate the effect of those co-payments on the number of doctor visits made by children. As the policy change involved only children, we are able to use the adult part of the population as a control group in a difference-in-difference estimation. The paper approximates the number of doctor visits by consumption of prescription drugs, as visiting a doctor is the only way to obtain a prescription. Using three different pre-reform periods (January, February, and March 2009) and two post-reform periods (April and May 2009) the estimates reveal no overall effect of doctor-visit co-payments on the number of children's doctor visits. Less convincingly and more tentatively, the estimates suggest a strategic shift of children's doctor visits away from the last pre-reform toward the first post-reform month.

[H1, H2] DLOUHÝ, M., Ekonomie péče o duševní zdraví v České republice.

“Economics of mental health care in the Czech Republic”

Mental health has an economic impact on both individuals and societies. There is lack of information on total cost of mental illness in the Czech Republic, especially on social services financed by municipalities and private resources. In the health sector, the share of mental health expenditures is estimated to be 3-4 % of total health expenditures. In the social security system, mental illness is responsible for 3.3 % of

total sick-days, 14.2 % of full disability pensions and 9.5 % of partial disability pensions. The estimated mental health expenditures amount to CZK 15 362 million in the health sector and from the social security in 2006, which makes 0.48 % of gross domestic product. If the level of expenditures on mental health is interpreted as an indicator of the society's commitment to mental health, then mental health has a relatively low priority in the Czech Republic.

[H2] PŘIBYLOVÁ, K., Proč jsou politiky v boji proti obezitě neúspěšné?, Bachelor thesis, Charles University, Prague, Faculty of Social Sciences, Department of Public and Social Policy, 2010, 96 pp.

“Why are policies to combat obesity failing?”

This work deals with obesity, its global scale, serious health and economic consequences, and so far unsuccessful struggle of public policies, which endeavour to reverse its increasing prevalence. The aim of this work is an analysis of the present development of the political and theoretical discourse on the global and European level and an identification of the most frequently discussed causes of failure of the public policies. That precludes an identification of significant participants, that endeavour to reverse the trend of increasing obesity prevalence in the framework of multilevel governance, and crucial public policy events in the area of health promoting, creating a knowledge about obesity, international conferences and political agenda. On an international level recommendations for the national governments in form of strategic documents and action plans are formulated. However their realisation on national level seems problematic. The reasons are especially the one-sided solutions, which do not respect the complex character of the obesity causes, and the conflict with the production paradigm, which prefer the quantity of food to its quality regardless of the population health impact.

6 List of Important Institutions

Výzkumný ústav práce a sociálních věcí – Research Institute for Labour and Social Affairs – RILSA

Contact person: Doc. Ing. Ladislav Průša, CSc. (Director)
Address: Palackého náměstí 4, 128 01 Prague 2, Czech Republic
Phone: +420 22497 2650
Fax: +420 22497 2873
E-mail: vupsv@vupsv.cz
Website: <http://www.vupsv.cz>

The institute's principal activity is applied research into labour and social affairs issues at a regional, national and international level; this research is formulated in line with the current requirements of state government authorities and possibly non-profit or private entities. The institute also provides consulting services for the users of research outputs, organises seminars and conferences and publishes specialist materials. Research projects are planned every year in collaboration with the institute's founder and other concerned parties and take into account the continuity of the development of science and research in the areas in question. The institute's chief research fields are: the labour market and employment; social dialogue and labour relations; social protection; the family; equal opportunities; incomes and wages; social policy theory.

Ministerstvo práce a sociálních věcí – Ministry of Labour and Social Affairs

Contact person: Bc. Petr Sulek (Press Department)
Phone: +420 221 923 080,
E-mail: petr.sulek@mpsv.cz
Address: MPSV ČR, Na Poříčním právu 1/376, 128 01 Praha 2
Phone: +420221921111
Fax: +420224918391
Website: <http://www.mpsv.cz/en/>

The Ministry of Labour and Social Affairs (MoLSA) was established in 1990. It is responsible for social policy (e.g. people with disabilities, social services, social benefits, family policy), social security (e.g. pensions, health insurance), employment (e.g. labour market, unemployment support, employment of foreigners), labour legislation, occupational safety and health, equal opportunities for men and women, migration and integration of foreigners, European Social Fund and other social or labour-related issues. MoLSA provides methodological guidance for Labour Offices, the Czech Social Security Administration, the State Labour Inspection Office, Regional Labour Inspectorates and for the Office for International Legal Protection of Children.

Česká správa sociálního zabezpečení – Czech Social Security Administration

Address: CSSA Headquarters, Křížová 25, 225 08 Praha 5
Telephone: +420 257 061 111
Fax: +420 257 063 360
E-mail: posta@cssz.cz
Website: <http://www.cssz.cz>

The Czech Social Security Administration (CSSA) is the largest financial administration body within the Czech Republic's civil service, and a unique one. The CSSA looks after the social security issues of nearly 8 million clients, including over 2.5 million pensioners receiving more than 3 million pensions. The CSSA is a modern agency, a social insurance administrator whose efficient performance is based on processes using technology of the third

millennium information society and whose exclusive focus is on providing maximum value for the client, thus doing the utmost to meet the client's expectations and satisfy his/her needs.'

Ministerstvo zdravotnictví České republiky – Ministry of Health of the Czech Republic

Contact person: Andrea Mimrová (press dept.)
Address: Palackého náměstí 4, 128 01 Prague 2
Phone: +420 224 972 424
Mobile phone: +420 737 204 961
Email: andrea.mimrova@mzcr.cz
Website: <http://www.mzcr.cz>

Ministerstvo financí České republiky – Ministry of Finance of the Czech Republic

Address: Letenská 15, 118 10 Praha
Phone: + 420 257 042 660 (press dept.)
Website: <http://www.mfcr.cz>

The Ministry of Finance is the central government body responsible for the state budget, the state final account, the Treasury of the Czech Republic, the financial markets, taxes, customs duties and fees, the financial economy, financial supervision, accounting, audit and tax consultancy, foreign-exchange policy including bills payable to and claims from foreign countries, the protection of foreign investment, regulation of lotteries and similar games, activities with state property, the privatisation of state property, insurance companies, retirement funds, prices, and activities against the legalisation of revenues from illegal activities.

The Ministry of Finance represents the Czech Republic through its membership in international financial institutions and financial bodies of the Organisation for Economic Cooperation and Development (OECD), the European Union, and other international economic organisations, if this membership does not belong exclusively to the Czech National Bank.

The Ministry of Finance coordinates foreign assistance received by the Czech Republic.

Poslanecká sněmovna parlamentu České republiky – Chamber of Deputies of the Parliament of the Czech Republic

Contact person: Name
Address: Parliament České republiky, Poslanecká sněmovna, Sněmovní 4, 118 26 Praha 1 – Malá Strana
Phone: +420 25717 1111,
Fax: +420 25753 4469
Website: <http://www.psp.cz/cgi-bin/eng/sqw/hp.sqw>

The Chamber of Deputies of the Parliament of the Czech Republic (Czech: Poslanecká sněmovna Parlamentu České republiky, abbr. PS PČR, usually referred to as Poslanecká sněmovna) is the lower house of the Parliament of the Czech Republic; the other is the Senate. It has 200 members, elected for a four-year term under the party-list proportional representation election system. Since the 2002 general election, 14 constituencies (matching the regions) and the D'Hondt method have been used. The seat of the Chamber of Deputies is situated in palaces of Malá Strana in Prague.

Asociace penzijních fondů České republiky – The Association of Pension Funds of the Czech Republic

Contact person: *JUDr. Eva Vítková*, director
Address: Rumunská 1, 120 00 Praha 2
Phone: +420 224 266 561
Website: <http://www.apfcr.cz/en/index.php?page=home.php>

The Association of Pension Funds of the Czech Republic (APF CR) is a voluntary joint interest association of legal persons, in particular pension funds. It was established on 25 June 1996 at a constituent meeting of members as an independent legal entity continuing the activities of the former APF CR, which did not have legal identity and whose existence terminated as of the date of establishment of the new association.

Vláda České republiky – Government of the Czech Republic

Address: Office of the Government of the Czech Republic, nábřeží
Edvarda Beneše 4, 118 01, Prague 1, Czech Republic
Phone: 224 002 111
Fax: 257 531 283
Website: <http://www.vlada.cz>

The Government of the Czech Republic is created on the basis of elections to the parliament of the Czech Republic. The Government is the highest body of executive power, and is made up of the prime minister, the deputy prime minister and ministers. The Government is responsible to the Chamber of Deputies.

Rada hospodářské a sociální dohody ČR (tripartita) – Council of Economic and Social Agreement (RHSD)

Address: Ministerstvo práce a sociálních věcí, Na Poříčním právu 1/376,
128 01 Praha 2
Phone: +420-221921111
Fax: +420-224918391
Website: <http://www.mpsv.cz/cs/6434>

The plenary session of the RHSD CR – the highest organ of tripartite partnership – includes the Prime Minister of the Czech Government and seven members of the Czech Government, seven representatives of trade unions and seven representatives of employers. Currently, the social partners of the Czech Government are represented by the Czech-Moravian Confederation of Trade Unions (CMKOS), the Confederation of Industry of the Czech Republic, the Association of Independent Trade Unions, the Confederation of Employers and the Entrepreneurs' Associations of the Czech Republic.

The Council was established in 1990 as a representative body for social dialogue (tripartite partnership). The Council represents an important feature of the European Social Model. The objective of this institution is to approach the social agreement in important economic and social aspects of country development.

Českomoravská konfederace odborových svazů – Czech-Moravian Confederation of Trade Unions (CMKOS)

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

The CMKOS:

- *is a voluntary, open, independent, democratic confederation of trade unions protecting wages, working and living conditions and rights of employees*
- *is an important social partner in tripartite negotiations in the framework of the Council of Economic and Social Agreement of the Czech Republic*

- works in the regions of the Czech Republic through Regional Councils of Trade Unions (RROS) and Regional Offices for Legal Assistance (RPP)
- is a member of the [International Trade Union Confederation \(ITUC\)](#), of the [European Trade Union Confederation \(ETUC\)](#) and of the [Trade Union Advisory Committee to the OECD \(TUAC\)](#).

Rada vlády pro seniory a stárnutí populace – Government Council for Older Persons and Population Ageing

Contact person: Chairperson of this council is the Minister of Labour and Social
Address: Ministry of Labour and Social Affairs of the Czech Republic,
Na Poříčném právu 1/376, 128 01 Praha 2
Phone: +420-221921111
Fax: +420-224918391
Website: <http://www.mpsv.cz/en/4538>

The Government Council for Older Persons and Population Ageing (hereinafter „the Council“) was established on 22 March 2006 by Government resolution No. 1482 on implementation of the National Programme of Preparation for Ageing for the period 2003-2007. The Council is a permanent advisory body to the Government of the Czech Republic on issues related to ageing and older persons. The Council’s mission is to promote conditions for healthy and active ageing, dignity in old age, and active participation of older persons in economic and social development in the context of demographic ageing. It aims to ensure equal rights for older persons in all areas of life, to protect their human rights and support development of intergenerational relationships in family and society. The Council meets at least three times a year. The Chairperson of the Council is the Minister of Labour and Social Affairs. The secretariat of the Council is a part of the organisational structure of the Ministry of Labour and Social Affairs of the Czech Republic.

Národní ekonomická rada vlády (NERV) – National Economic Council, Government of the Czech Republic

Contact person: Government of the Czech Republic
Website: <http://www.vlada.cz/en/ppov/ekonomicka-rada/national-economic-council-51372/>

The Council's primary task is to analyse the risks and potential impacts of the global financial crisis on the Czech Republic, and to propose measures, steps and tools to mitigate or eliminate the potential impacts of the global financial crisis on the Czech Republic. The Council's permanent task will be to seek out and propose measures that lead to maintenance or acceleration of the Czech Republic's economic growth. The Council has ten members, and its activity is led and coordinated by the prime minister of the Czech Republic. The council is apolitical, and leading figures in the Czech Republic's economic environment and institutions have been invited to join.

Annexes

Annex 1: Main national actors (representing the state), participating in pension reform debates/political discourse in the period 2006-2009

| Actors | Website | Their formal roles and responsibility, | Their action in political communication | Objectives of their action, interest |
|---|--|--|--|---|
| Elected representatives in the two chambers of Parliament | www.psp.cz www.senat.cz | Public policy making, political decisions on national level, legislation, control of the Government. | Overruling and corruption is widespread, thwarting consensus and political stability. | In agreement with their manifestos. |
| Political parties | www.ods.cz www.cssd.cz www.kdu.cz www.top09.cz www.kscm.cz | The political system is based on the free and voluntary foundation and free competition of political parties respecting fundamental democratic principles and rejecting force as a means of asserting their interests. | Agenda setting. Deficits in political culture and evidence-based approaches. | Different according to individual parties and their ideology. |
| The Czech Government | http://www.vlada.cz/en/default.htm | The supreme body of executive power. | The Government makes decisions as a body. Resolutions require the consent of an absolute majority of all its members. | |
| Government Commissioner for Human Rights | http://www.vlada.cz/en/pracovni-organy-vlady/zmocnenec-vlady-pro-lidska-prava/cinnost/zmocnenec-en-17253/ | | | Draws up national concepts for the long-term development of human rights protection for the Czech Government. |
| Government Legislative Council (GLC) | http://www.vlada.cz/en/ppov/lrv/uvod-en-24877/ | Advisory and working body of the Government responsible for work related to legislative commitments (EU membership, plan of legislative work). | A total of <u>six working commissions</u> have been established within the GLC. Insufficient public access to documents. | To protect implementation of constitutional rights, human rights and EU legislation. |
| Ministry of Labour and Social Affairs | www.mpsv.cz | Responsible for pension policy agenda and legislation, supporting and organising research of social development. | Explaining to citizens reforms, policy making; legitimising changes. | Public interests, solution of existing social problems. |
| The Czech Social Security Administration (CSSA) | http://www.cssz.cz/en/news/ | Social insurance administrator including over 2.5 million pensioners receiving more than 3 million pensions. | Publishes different informational material (booklets, leaflets or annual reports). | Looks after the social security issues of nearly 8 million clients. |
| Ministry of Finance | www.mfcr.cz | Administration of the public finance system and control tasks. | Public access to public finance data | State administration. |
| Constitutional Court | http://www.concourt.cz/ | Jurisdiction over constitutional complaints. | Reports substantiate its rulings in a complex way. | To protect against human rights violation. |

Annex 2: Main national actors (non-state, civic society), participating in pension reform debates/political discourse in the period 2006-2009

| Actors | Website | Their formal roles and responsibility, | Their action in political communication | Objectives of their action, interest |
|---|--|--|---|---|
| Private pension funds and their Association | www.apfcr.cz | This is not a formal actor. | Economic results in the past two years are not positive. They are losing trust. | Aiming at economic gains, as opposed to sustainable protection of pensioners. |
| Banks, investors | | They are not formal actors. | They support the idea of pension reform based on pillars II and III. | Profit oriented. |
| Think tanks | CEP CEVRO Liberální institut | No formal actors, financed predominantly from private sources. | They usually support private sector interests. | |
| Senior Council of the Czech Republic (Rada senioru) | http://www.rscr.cz/ civil association | Not explicitly a formal actor, but they participate in democratic communication. | There is evidently a growing participation in political communication and public policy-making events. | Their objective is focused on human dignity and quality of the life of seniors. |
| Trade Unions | | In agreement with international law they participate in social dialogue. | They are in fact the most active actor in the present period oriented towards critical reflection of existing problems. | Their objectives are related to labour law and the effectiveness of social protection mechanisms. |
| Society as a whole; public interests | Centres for research of public opinion and others. | Formalised by the Constitution of the Czech Republic. | It is reflected in sociological surveys. | Public interest. |
| Trade market, entrepreneurs | Many actors | Their representatives are formalised in social dialogue (tripartite setup). | They communicate as tripartite partners. | Their objectives are focused on the price/costs of the work force. |
| Mass media | Very broad spectrum of actors | Not a formal actor. | TV, newspapers, internet portals. | Democracy support. |
| Research, and academic community | e.g. www.vupsv.cz , amongst many others, universities | They represent independent research, funded from public finance according to the freedom of scientific research. | Books, scientific journals, public domains, public debates, theoretical, medial and public discourses. | Their objective is independent critical research and the development of knowledge. |

This publication is financed by the European Community Programme for Employment and Social Solidarity (2007-2013). This programme was established to support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA and EU candidate and pre-candidate countries. The Programme has six general objectives. These are:

- (1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
- (2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
- (3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
- (4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
- (5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
- (6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:

<http://ec.europa.eu/social/main.jsp?catId=327&langId=en>