

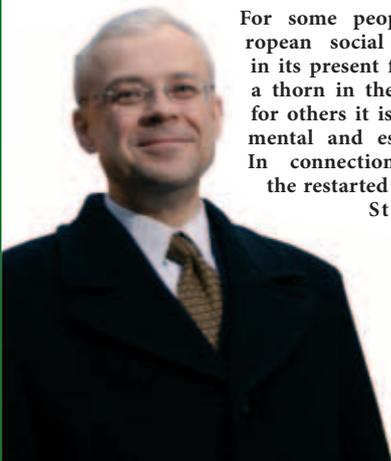
# Czech Business today

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## An Interview with Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities



**For some people European social policy in its present form is a thorn in their side, for others it is fundamental and essential. In connection with the restarted Lisbon Strategy**

**there is talk of a necessity to redefine the European social model. Can you briefly sketch out your vision of this new social model?**

The debate which has taken place over the last few weeks has shown that the European social model is unique in that it is based on miscellaneous systems in which joint values form the basis. The human being itself stands at the heart of this model, who acquires, for instance, access to social security and the protection of health and human dignity. Generally we can say that support of social activities goes hand in hand with higher economic growth and the creation of new jobs.

Of course, social cohesion is one of the main concepts of the European social model, and for this reason it is necessary to increase the employment of women, the long-term unemployed, disabled persons, and of course,

young people. Scandinavian countries and Austria are countries from which we have something to learn in this sphere. In their case there is a highly effective combination of a social system and flexible job market.

**At present a political debate is underway in all countries of the EU on the future of the transition period for workers from the new member countries of the EU. What role does the European Commission and especially your directorate general play in this discussion?**

The free movement of workforces is one of the basic freedoms of the single market and should be available to all citizens of the European Union.

(see page 8)

# The Czech National Lisbon Programme 2005 - 2008 – The National Programme of Reforms in the Czech Republic in the Sphere of Employment

In spring of this year the member countries of the EU agreed on a new orientation to the Lisbon Strategy. The main objective is to achieve higher economic growth and employment while respecting the principles of sustainable development. At the same time the countries approved a proposal for the improved management of the entire process, including greater involvement on the part of individual member countries, which undertook to prepare their own national strategies or reform programmes which would allow for the objectives of the Lisbon Strategy to be met.

The Czech Republic has created a national reform programme and submitted it to the European Commission. As far as employment is concerned the programme perceives two main priorities – improved flexibility of the job market and increased integration on the jobs market.

The aim is to encourage a flexible jobs market using the following instruments:

- an extension of contractual freedom in labour relations in order to improve the organisation of work in companies, mainly the distribution and effective utilisation of the time spent working, in order that it be possible to temporarily interrupt a career in order to increase qualifications or to requalify, and also to expand the opportunities for part-time work, work at home, and flexible working hours.

- a reduction of the statutory non-wage costs of work – new legislation is being drafted which lays down a maximum limit to the assessment basis for payment of social security and health insurance costs

- increasing the motivation of low-income groups to look for and maintain jobs – in 2006 a new tax rate applying to those on low incomes comes into force, and a change is being prepared to the system of social benefits to make it worth their while for people to work. Other changes will relate to the level at which the life minimum is set and assistance in material crisis

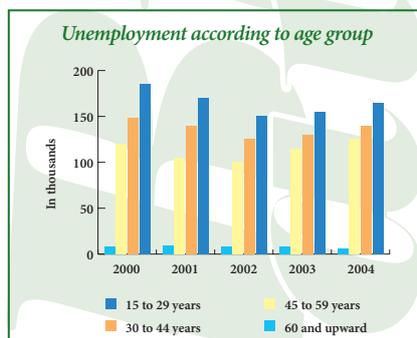
- increasing mobility – at present there is a considerable imbalance between supply and demand on the jobs market, people make no effort to travel to work because it is expensive, or to relocate because the market for apartments has not been fully liberalised and regulated rents still apply in some cases. Measures are being prepared to support the mobility of employees – in-

- centives to commute to work in the form of tax relief on the part of employers and a relaxation of regulated rent

- modernisation of the employment policy with a reinforcement of personnel and a change to the organisation of employment services. It will be necessary to expand the possibility of acquiring up-to-date information on jobs, further education, etc. for active job seekers on the internet, in call centres, and information boxes. The labour offices will be then able to concentrate more on career-choice consultancy activities and provide more assistance to people who are difficult to employ, as well as carrying out the activities of the state administration, i.e. payments of social support, etc.

The following priority measures have been stipulated for the sphere of integration on the jobs market:

- a lowering of unemployment amongst young people aged up to 25 – continued implementation of the programme “First Opportunity”, within the framework of which young people and university graduates are offered the opportunity to draw up an individual action plan. They will be incorporated into the projects of the EQUAL community initiative and the Leonardo da Vinci programme. The information and consultation centres of the labour offices will provide advice on choosing a career and information on the development of the jobs market in



individual spheres.

Source: National plan of reforms of the Czech Republic

- the enforcement of equal opportunities for women and men on the jobs market and the removal of the barriers facing women resulting

in higher unemployment amongst women. On average women's earnings are 74% of those of men and the greatest differences are between university educated men and women. Amongst other things more frequent and stricter controls will be carried out of compliance with the ban on discrimination resulting from motherhood, and modern forms of working methods will be encouraged, e.g. work from home, online working, teleworking etc.

- greater inclusion of older people on the jobs market – at present people older than 50 represent 22% of all job seekers. A programme is being prepared for older employees which will include several legislative amendments and a publicity campaign aimed at the public and employers emphasising the advantages of utilising the experience of older employees. The older person employment action plan will include consultancy and the compilation of individual action plans, including requalification.

- an increase in professional mobility using an effective system of requalification in order that the imbalance between the credentials of job seekers on the one hand and the requirements of the market on the other is rectified. This is especially important in the regions which are undergoing large-scale restructuring. The labour offices will continue to place an irreplaceable role. The resources of the European Social Fund will also be used to support requalification. Programmes will be given a boost which aim to ensure that disabled persons of all kinds have equal access to the job market.

- A simplification of the procedures allowing foreigners to work here – at the end of 2004 foreigners represented 3.3% of the total workforce of the CR. Problems in this sphere include considerable bureaucratic restrictions as well as insufficient information regarding what foreign specialists have to offer as against what Czech employers need. This situation was partially resolved by a pilot project (2003-2008) – the information portal “The selection of qualified foreign employees”, so far only for selected non-members of the EU, i.e. Bulgaria, Croatia, Kazakhstan, Belarus, Moldavia, Canada and Montenegro. The portal will be extended to the Ukraine from January 2006. The procedures for dealing with work and residency permits are also being streamlined.

The success of the proposed reforms in the CR and other member countries will depend on the functioning of the internal EU market, which is theoretically based on the four freedoms. It will depend on whether continuing problems can be resolved involving the free movement of goods, the recognition of the qualifications and work permits required during cross-border provision of services, the free movement of workforces from the new members countries, etc.

*Blanka Jakubcová  
CEBRE*

## Rethinking the European Social Model

The Confederation of Industry welcomes the initiative of the UK presidency to discuss the sustainability of the current European social model and its future and would like to actively contribute to this debate, particularly from the point of view of the employers' community representing the new member states.

Every country of the EU defines its social model in a different way but there are underlining values common to all these models. These include the market economy, full employment as a goal, access to public services for all, and social protection. These values are translated into different labour market regulations, and different systems of healthcare, education and other public services.

But economic growth and social progress go hand in hand in all of these spheres.

### Reasons for change

But there is an urgent need for change. The obvious reasons for this are lacklustre growth, problems with structural unemployment, demographic developments, and also enlargement of the EU. Since the mid 1990s economic growth has been declining and the potential growth rate of the EU has fallen below 2%. Slow growth is accompanied by the problem of structural unemployment, as Europe's workforce is not fast enough to adapt at a time of increased global competition and technological developments. Out of 300 million people

of working age, 20 million are unemployed in the EU25, of which nearly 10 million are long-term. At the same time Europe has to tackle the ageing of its population and the challenges for its social security and healthcare systems. Furthermore there are the ten new member states and two other waiting for accession. Massive enlargement is bringing a new impetus to the European social model. Due to the complicated and painful political, economic and social reforms of recent years, new member countries are more pragmatic and realistic, without any stronger links to stereotypes. In this respect we can see different approaches and priorities of the social partners from these countries according to the social dialogue, particularly European Social Dialogue.

# Economic Migration in the Czech Republic and the European Union

The issue of migration is being discussed more and more on a European level, both in respect of legal and illegal immigration, which creates problems for many countries. A specific issue in this respect is the migration of people from third countries to the European Union due to economic factors. In order to stimulate discussion in this sphere, in 2003 the European Commission published a communiqué on immigration, integration and employment. A year later it published the first report on the issue and this year introduced its green paper on a European approach to the management of economic migration. The question of economic migration is a particularly delicate and sensitive one. On this page you will find information regarding a pilot project which the Czech Republic prepared in the sphere of economic migration, as well as the opinions and experiences of companies employing workers from abroad.

In order to illustrate the situation as it is on the ground, we have prepared a résumé of the problem of using foreign workers in the construction and metal-working industries on the basis of a short questionnaire sent to companies operating in these spheres.

## Construction industry

Czech construction companies belonging to the Federation of Entrepreneurs in the Construction Industry use foreign workers mainly as labourers. The overwhelming majority of foreign workers are from Slovakia, followed by citizens of countries of the former USSR (from the Ukraine, Russia, and Belarus). Their Czech colleagues do not perceive foreign workers as a threat, being well aware that it would be difficult to find anyone interested in the work they do from the ranks of Czech people. Despite a relatively high level of unemployment, there is still a real lack of qualified, productive workers in the construction industry, even in regions where unemployment is highest.

Foreign labourers do various kinds of work. Slo-

vaks, who have a specialist education on the level of Czech employees and are closest in respect of language and culture, mainly carry out work requiring a degree of craftsmanship. Other foreigners do work requiring fewer skills (the work of a bricklayer at most), usually simple labouring.

*"The companies questioned see the benefit of work migration mainly in the flexibility it brings, which allows businesses to react to the current requirements on the work force at any one time, and provides them with workers prepared to carry out low-grade tasks."*

The advantage of using foreign workers is their willingness to work in jobs requiring no qualifications and to perform activities which Czechs are not interested in. The disadvantages include the language barrier, links to various often risk-related communities, and above all the incomparable level of specialist skill and knowledge.

## Metal-working industry

Our survey of the metal-working industry confirmed that most companies operating in this sphere employ foreign workers, especially workers from Slovakia and Eastern European

countries. Foreign workers most frequently occupy positions which do not require higher qualifications (foundry hand or machine workers), and sometimes perform more specialist work, e.g. the servicing of cutting tools.

The companies questioned see the benefit of

work migration mainly in the flexibility it brings, which allows businesses to react to the current requirements on the work force at any one time, and provides them with workers prepared to carry out low-grade tasks. While some companies regard the low wages of foreign workers as an advantage, others report costs of 20% to 30% higher than Czech employees. These latter in particular perceive work migrants, especially those with higher qualifications, as a certain threat to their own position.

Traian Urban

Economic Chamber of the CR

## Pilot Project Entitled "The Selection of Qualified Foreign Workers"

Like the rest of the countries of the European Union the Czech Republic has been experiencing unfavourable demographic changes. The calculations of the Ministry of Labour and Social Affairs estimate that in 2030 there will be a shortfall of more than 400,000 workers in the Czech Republic. For this reason 2003 saw a pilot project launched entitled "The Selection of Qualified Foreign Workers", the aim of which is to introduce foreign specialists capable of filling the gaps in the country's jobs market and integrating into Czech society. This is a trial project limited to five years. The aim is to assess the selection, administrative and other procedures, as well as the technical possibility of eventually expanding the system to all third countries and defining the immigration policy of the CR for the future.

The first target countries were Bulgaria, Croatia and Kazakhstan, followed by Belarus, Moldavia, Canada, Serbia and Montenegro, as well as foreign graduates of Czech universities and senior schools

regardless of their country of origin. From next year on the Ukraine will also be included, in response to the demands of any employers.

Participants in the pilot project can apply for permanent residence in the CR after two and a half years. This is four times earlier than current legislation permits. A condition for participation on the pilot project is a work permit, a visa for longer than 90 days for the purpose of employment, or long-term residency for the same reason, a minimum of a senior school specialist education, and at least six months work practice (with the exception of graduates of Czech universities).

Selection for the pilot project takes place on the basis of a scoring system in which applicants must acquire at least 25 points out of a possible 66. The scoring criteria are as follows: experience with employment in the Czech Republic, work experience, education, age, previous experience of life in the CR, knowledge of languages, and an assessment of the applicant's family. The evaluation methodology

represents a completely objective and transparent system, without the possibility of subjective influence on the part of the pilot project organisers.

The Czech state will not organise accommodation for project participants nor pay for their trip to the CR. At the end of the two and a half year trial period the Ministry of Labour and Social Affairs will assess whether the participants are capable of social and economic integration and subsequently recommend that the Foreigners' Police issue them long-term residence with a shortened deadline.

So far the 305 participants selected considerably lags behind the quotas specified for the first and second year of the project, i.e. 300 and 700 persons respectively. This fact is caused by excessive protection of the domestic jobs market.

Aleš Fischer

Czech Confederation of Employers' and Entrepreneurs' Associations

## Adapting to change

The answer to the questions raised during the debate about the future of the European social model is very much linked with the current effort to re-launch the Lisbon strategy and to commit the member states and their governments to implementation thereof.

The current Czech leftwing government is providing policies and reforms which should be compatible with the revised Lisbon goals, using the recommendations of the both Wim Kok's reports and following the Integrated Guidelines on Economic and Employment Policies.

The problem is that the reforms are provided on the account of employers shifting the duties and responsibilities particularly in the social and employment field to employers and companies.

- The Labour Code being prepared at present is more rigid than the previous one, and does not respect the needs and interests of employers
- New changes in the field of social, health and accident insurance is shifting more of the duties, administrative burden and costs to employers (new and higher compensation, extra charges, health benefits)
- The endless debate about the financing of the Lifelong learning

## The role of social partners

An important role in the process of modernizing of the ESM has to be played by social partners at all levels, starting with the modernisation of the social dialogue both at a national and European level. Employers have to redouble their effort and

change the intent of the social dialogue, taking into account the new challenges and needs of new member states. The priorities and topics of the social dialogue have to focus more on supporting economic performance, competitiveness, growth, innovation and employment. Employers are more and more forced to deal with less relevant topics such as stress, violence, anti-discrimination, etc., which often exhausts their resources.

Europe needs a new and modernized Social Model and social partners need a new and mainstream European and national social dialogue.

Vladimíra Drbalová

Member of the Economic and Social Committee.

# The Employment of Disabled People in the Czech Republic



The economic activities of persons with physical handicaps (above all employment) is a classic social-economic problem, and frequently multi-disciplinary. It cannot be reduced simply to an employment policy and its legislative instruments and conditions, an approach which has hitherto predominated in the CR. In 2005 the Employment Act introduced important possibilities and positive legislative changes, reflecting, amongst other things, the

*“Disabled people are not very motivated to look for work, or even start up their own business activities. There is no systematic support for social (cohesive) entrepreneurship.”*

ILO treaty on vocational rehabilitation and the employment of disabled persons no. 159/1983, ratified and effective from 1993.

Because of the incompleteness of rehabilitation schemes, which impact on the conduct of only part of the target group, and the lack of any tie-in to other health, professional and social spheres, the instruments of the Employment Act fail to achieve greater effect, and the number of disabled persons falling out of the jobs market is still increasing in the CR. The CR applies a system for the assistance of em-

ployers employing disabled persons (over 50% of employees) which stabilises their position, but on the other hand the increased administrative demands on the recipient of support does not correspond to the flexible requirements of their operations on the free market and reduces the effectiveness of parts of these specific instances of assistance.

The Czech Republic enforces a statutory share of disabled persons employed, which can be met either by employing the specific people in question or by means of a financial deduction for non-fulfilment, as well as by the purchase of products and services from employers of disabled persons.

However, in the CR this system is circumvented by the prior sale of the goods for which

small companies employing disabled persons are specially established, and it has not yet been possible to stamp out this abuse either administratively or legislatively.

So far in the CR there is a specific instrument of the social services lacking, namely therapeutic workshops where disabled persons would be prepared in the capacity of clients for entry into the protected or the free jobs market. Within the framework of the therapeutic workshops people are taken on who do not even have the minimum work productivity

required to retain a job, a problem which will become more acute as the level of the minimum wage is raised.

In the CR we are lacking positive motivation in the form of incentives for entrepreneurs and employees to take on a higher number of disabled persons on the regular jobs market. The small tax deduction of a non-valourised sum of around EUR 600 per annum has not changed since 1997. The state administration gives little attention to this issue. Disabled people are not very motivated to look for work, or even start up their own business activities. There is no systematic support for social (cohesive) entrepreneurship. Unfortunately the new draft Labour Code submitted by the government offers no fundamental innovations in this sphere.

Despite these chronic problems there are seventy to eighty thousand disabled persons employed on the free market of the total estimated figure of between 300,000 and 400,000. Around 75,000 are recorded as unemployed, 10,000 – 15 000 are employed within the framework of the protected jobs market (entrepreneurs with more than 50% of disabled persons and protected workshops, to which the 50 members of the SČMVD belong). Approximately half of the total number of disabled people live on social benefits and contributions.

Karel Rychtář  
Union of Czech Moravian  
Production Cooperatives

## Equal Opportunities for Men and Women on the Labour Market in the Czech Republic

In September 2005 the Czech Statistical Office and the Ministry of Labour and Social Affairs published the second edition of the publication Women and Men in Data, which statistically charts various spheres of life in the CR from the point of view of gender. The figures again confirm that women are disadvantaged on the labour market. They earn less, unemployment is higher amongst women, they are unemployed for longer periods of time, they are far less represented in managerial positions, etc. even though their levels of education are similar. There is none level of education category where the average wages of women would attain that of men, or even exceed it.

Just as these days the education of women is taken for granted, so equal employment and remuneration should be taken for granted. However, the situation is not getting noticeably better and it is not easy to change it.

Many inequalities in remuneration persist as a consequence of the continuing horizontal and vertical segregation in professions, which manifests itself on the labour market in the form of the overwhelming presence of women in low paid jobs or with atypical employment

contracts. The most complex situation is that of a women with small children and women aged 45 and over.

In everyday life discrimination against women persists, albeit concealed, because of traditional stereotypes regarding the role of men and women in work and family life. Legislation is developed, and there is ample information in the form of analyses, studies, etc. relating to the issue of equal opportunities, but the question remains that of putting theory into practice. At the same time the necessity for

*“...the necessity for a change of approach does not relate only to men but frequently to women themselves.”*

a change of approach does not relate only to men but frequently to women themselves.

However, the public discussion regarding the problem of the equal opportunities and standing of women and men has certainly helped to prompt a positive change in the way this issue is perceived. And naturally our membership of the EU has helped, where equality between men and women is one of the founding principles and forms a part of the *acquis commun-*

autaire. It is also very encouraging that in the draft Treaty Establishing a Constitution for Europe the equality of women and men was included amongst the values of the Union.

In this context a significant role is played by employers' organisations and trade unions. It can only therefore be welcomed that a Framework of action on gender equality, negotiated within the framework of the European social dialogue, was concluded at European level. The Czech Moravian Confederation of Trade Unions (ČMKOS) participated in nego-

tiations and supports the conclusions reached. A training manual is being prepared along with seminars focussing on gender issues in collective bargaining as one of the concrete contributions to improving the situation.

Dana Štechová  
Member of the ČMKOS  
Committee for the Equal  
Opportunities of Women and Men

# A Year and a Half on After Expansion it is Time to Take Stock of the Two-year Transition Period

A year and a half on after expansion it is time to take stock of the two-year transition period applying to the movement of workforces. The overriding question remains, which way will the twelve remaining countries of the EU turn in spring of next year, when they are due to decide whether to open up their markets or to leave them closed for a further three years. As is generally well known, for the first two years after entry of new member countries into the EU the approach taken by existing members is completely dependant on the policies and measures of the individual governments of the Fifteen and bilateral contracts between the existing and new member countries. Since the accession of the new member countries only the United Kingdom, Ireland and Sweden have opened their markets to the workforces of the new member countries. At the end of this two-year period the Commission will draw up a report which will enable the Council to reevaluate the effectiveness of the temporary protective measures. After this has taken place the individual member countries must inform the Commission whether the temporary period will be extended by another three years: this term may be further extended by two years if distortions take place on the jobs market.

The transition period is enshrined in the Accession Treaty and relates to all new member countries, with the exception of Malta and Cyprus, in the case of which no restrictions are applied. The measures relate to citizens of the countries specified who would like to conclude an employment agreement with an employer whose headquarters are in an existing member country. They do not relate to those which would like to be free to study or to undertake freelance work in the countries of the Fifteen.

## No large-scale migration

A glance at innumerable studies makes it clear that the much-feared tidal wave of workers from East to West has not taken place. At present there are 232,000 people from new member countries working in Great Britain, of which 30% were already in place before the EU expanded (Poles are present in the greatest numbers, with 130,000 people working in Britain, while some 15,000 Czechs work there). The offer of jobs in Britain

is mostly taken advantage of by people working in the administrative sphere, commerce, management, the hospitality industry, agriculture, the food-processing industry, and the blue-collar sector. Neighbouring Ireland has seen an influx of 85,000 workers from new member countries since expansion. While theoretically a large number, this has had almost no impact on Irish unemployment figures, which are the lowest in the whole of the EU. Sweden has an equally positive experience, even though it is the only country of the three to allow workers from other member countries to fully avail themselves of the local social system. As far as the work mobility of Czechs is concerned, many statistics confirm that it is very low and does not represent a risk.

*"A glance at innumerable studies makes it clear that the much-feared tidal wave of workers from East to West has not taken place."*

Along with Slovenia the Czech Republic is the only country in Central and Eastern Europe to which more Western Europeans have moved over the last few years than vice versa.

## Expectations in the new member states

At present there are great expectations amongst the populations of the new member countries of the EU, prompted by the reaction of the original 15 to the shortening of the transition period. Already it is possible to anticipate that in the case of Austria or Germany the transition period will not be shortened. Germany has already made it plain that, because of the constricted situation on the local job market and the argument that any other decision would change the thus far positive approach taken by Germans, it will not be opening the job market to Europe. The Austria Minister of Economics, Martin Bartenstein, also confirmed that his country would be prolonging the transition period until at least 2009. While the concerns of citizens of the new members countries is not as marked as in other countries (with the exception of France, where this phenomenon was one of the causes of the country's rejection of the European Constitutional Treaty), none has given a clear undertaking to open its job market next year in spring. Spain is an exception, which, through its foreign minister, Miguel Moratinos,

has given cautious signs that it is willing to withdraw from the restrictive measures. Finland has given a similar undertaking.

## The attitude of business organisations

It seems that the problem of the movement of workforces has become a lightening conductor for the expression of other problems in the Union. For critics of the Union those countries which are horror-struck by the threat of cheap labour are proof of a crisis in the "European ideal". More moderate voices point out that a transition period was also applied to most of the new countries joining the original founding members, the most obvious parallels being perhaps the entry of Spain and Portugal in 1986. At that time France

braced itself in expectation of a flood of poor workers from the Iberian peninsula. Nothing of the sort took place and very quickly the Union dragged the Spanish and Portuguese economies up, and those of their citizens who had gone abroad looking for work prior to entry into the Union started retuning home. Transition periods for the free movement of workforces are perceived in the Czech Republic as discriminatory measures which undermine the principle of the basic freedoms of the European Union. Czech business organisations support full liberalisation and the suspension of transition periods, since from a business perspective and the experience up till now of Britain, Sweden and Ireland such periods are not completely justifiable. In the joint statement put out by the Czech, Austrian, Hungarian, Slovak and Slovenian federations of employers' organisations a commitment to a genuine free movement of workforces, i.e. the revocation of the transition periods, along with the Lisbon Strategy, an agreement on the EU budget for 2007-2013, and completion of the internal market in the sphere of services are amongst the fundamental priorities of these federations in respect of the European Union.

Traian Urban  
Economic Chamber of the CR

## Liberec region in Brussels

In September 2005 the region of Liberec made the decision to operate more actively at the centre of the European Union and to open its representation in Brussels for this purpose. "The Liberec region is aware of the usefulness of such a representation and has decided not only to avail itself of European policy and programmes, but to attempt to influence them to its own benefit", said Petr Skokan, governor of the Liberec region. The manager of the office is Pavel Branda, who says that the office's work priorities will involve "above all the sphere of regional policy (at present time this refers mainly to the preparations of the programme period 2007-2013), the development of cooperation with other European regions, and support of science, research and innovation". The office will cooperate in Brussels with other Czech regions and continue in collaboration with partner regions of Saxony and Lower Silesia, which have their offices in close proximities. "Cross-border cooperation with German and Polish partners is an day-to-day reality in the Liberec region. We want to draw on that cooperation also here in Brussels", adds Pavel Branda.



Petr Skokan  
Governor

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## Central Bohemia Region

EUROPEAN OFFICE

The European office of the largest region of the Czech Republic, that of Central Bohemia, has a new director. In July 2005 Petr Hnizdo took over the reins of the office from the previous director. The role of the Brussels office is not only to promote regional interests, but also to create opportunities, influence EU decision-makers, and support the region's engagement in Europe. The main area of support given to the region by the EU is provided through European funding and the encouragement of transnational partnerships, helping regions to learn from each other and creating new opportunities for the exchange of best practices. The areas that are targeted within the region for this funding include regional development, training, research, protecting the environment, improving transport links, and youth exchanges. "Due to its strategic location, Central Bohemia offers a wide range of opportunities. We want to represent our region in Brussels by effectively raising its profile and enabling Central Bohemia to draw full benefit from the opportunities offered by the EU", explains Petr Bendl, the Governor of the Region of Central Bohemia.



Petr Bendl  
Governor

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## Structural Funds After 2006

During one week in October Brussels traditionally becomes a crossroads for regional representatives from around the whole of the EU, when the Open Days event is held. In the district where the European institutions are housed dozens of seminars are held under the auspices of the Committee of Regions, the DG Regional Policy of the European Commission, and the Brussels Representation of European Regions. The seminars focus on the issue of regional development and structural funds.

One such seminar was devoted exclusively to the potential of structural funds in the CR after 2006. The CEBRE – the Czech Business Representation in Brussels – and the Representation of Prague in Brussels were co-organisers, with the aim of allowing the representatives of Czech regions participating at the Open Days a peek at the discussions regarding the future form of structural funds, both in Brussels and in Prague. Although the European Union has not yet agreed on the fi-

nal form of the budget for the planning period 2007-2013, work on the future form of the structural funds is already in full flow. The main speaker, Katarína Matherňová, director of DG Regional Policy, first brought up several problems linked with the implementation up till now of the structural funds. "As opposed to the older member countries the CR and other countries which endured decades of communism lack the skill to communicate intensively, which can be an impediment leading to the creation of a host of problems," said Matherňová. This is a matter which we have to deal with quickly, since in the next programme period the Czech Republic should receive four times the resources from structural funds than hitherto. The necessary preparations are fully underway on the Czech side too. Arnošt Marks, chief manager of the Community Support Framework and the Cohesion Fund Division of the Ministry for Regional Development sketched out the ideas the Czech Republic has regarding the layout of op-



The main lecturers included Katarína Matherňová (DG Regio) and Arnošt Marks (Ministry for Regional Development)

erational programmes for the new period. The main innovation is the introduction of regional operational programmes, to which approximately 10% of the total resources received from the structural funds will be devoted.

Martin Duda  
CEBRE

## Assembly of the Confederation of Industry of the CR



Jaroslav Míl, President of the Confederation of Industry of the CR

The international engineering trade fair held in Brno in autumn is the annual venue for the assembly of the Federation of Industry of the CR. The aim of the assembly is to discuss with political representatives burning issues of the day for Czech businesspeople and to find a solution to them. This year's main guest was the prime minister, Jiří Paroubek, along with several

ministers of his government, and the leader of the opposition party, Mirek Topolánek. While Prime Minister Paroubek, speaking of this year's expected 5% growth in GDP, referred to the Czech Republic as a "smaller European tiger", the president of the federation, Jaroslav Míl, and Mirek Topolánek pointed to the continuing serious insufficiencies of economic policy, above all the growing state budget deficit, the high bureaucratic burden encouraging corruption, the low levels of support for R&D and training, and the critical situation in the sphere of transport. Jaroslav Míl warned against overrating favourable economic indicators, and used his speech to support the planned tax reforms which the federation is also working on, while also sharply criticising the planned new Labour Code, both for its contents and the irregular way in which it was being prepared. On the other hand he praised the increase in information being disseminated

amongst companies regarding decrees and acts. For his part, Prime Minister Paroubek laid emphasis on current economic growth which can, he claimed, be accelerated still further. "This is possible if we learn how to use European money correctly from 2007 to 2013 for productive investments and for education and training." Paroubek maintained that the legislation currently under preparation, such as the Construction Act and the Public Private Partnership Act, as well as acts on public contracts and cooperative housing on a non-profit basis, would contribute to the development of investment activities. The prime minister also sees an opportunity for helping businesspeople in an improvement of the judicial system and in the encouragement of autonomy on the part of judges.

Eva Svobodová  
Confederation of Industry of the CR

## CEBRE Active in the Information Campaign Regarding the EU



Za podpory Odboru pro informování o evropských záležitostech Úřadu vlády ČR

the European Union announced by the Office of the Government of the CR.

The purpose of the entire project is to acquaint small and medium Czech enterprises with the funds and programmes of the EU. Our experience shows that companies are relatively well informed about EU structural funds, though knowledge of community programmes lags far behind. And it is precisely on this area that we want to focus. The project will include publishing brochures about funds in the sphere of research, development and innovation, with emphasis laid on the participation of small and medium enterprises, as well as two large conferences in Prague and Brno at the beginning of December.

Ondřej Hradil  
CEBRE

## New President of Eurochambres

At the end of September the 13th annual congress of the Association of European Chambers of Commerce took place in Stavanger, Norway. Amongst the important topics of the day was a discussion focussing on the activities of the various chambers of commerce for the support of the competitiveness of European companies, and a debate on subsequent steps within the Lisbon process. The congress also included the association's General Meeting, at which the main Eurochambres priorities were approved along with the budget for 2006. An important event was the election of a new president of Eurochambres. In the second round of voting Pierre Simon was elected with a majority of three. Pierre Simon is president of the Paris Chamber of Commerce and the regional chamber of the Île de France. The new president will take up his position on 1 January 2006.

Traian Urban  
Centre for European Integration of the Economic Chamber of the CR



Pierre Simon

# News from the Czech Republic

## The Plan to Accept the Euro Will be Ready at the End of 2006

The plan for acceptance of the euro will be known by the end of 2006 says the deputy ministry of finance, Tomáš Prouza, head of the National Coordination Group for Introduction of the Euro. Thus far there is no fixed deadline for transition to the euro, though the Ministry of Finance has agreed with the Czech National Bank on a working deadline of 1 January 2010. The official confirmation of the deadline should be made by the new government after the elections. Acceptance of the euro is to take place using a short, sharp shock method, i.e. allowing only a short period for the exchange of coins and banknotes.

The Czech Republic will not be the first of the new members of the European Union to introduce the euro. As early as 2007 Estonia, Slovenia and Lithuania want to use the euro, with Latvia, Malta and Cyprus following one year later. The longest delays will be in Poland and Hungary.

According to the Ministry of Finance the CR already meets most of the economic criteria for introduction of the single currency, which include inflation, interest rates and the public debt. However, the governor of the CNB, Zdeněk Tůma, maintains that the public deficit remains a barrier to acceptance of the euro. He believes the government should concentrate on reducing the deficit and on the job market, and that the economy should be in a good condition two years prior to acceptance of the euro.



## Controversial Labour Code

MPs of the largest governing party, the Social Democrats, along with the Communist Party, have come closer to pushing a disputed Labour Code through parliament. At present the Bill is in its committee stage. The Christian Democrats are strongly critical of the Bill, which they regard as being unconstitutional in certain respects. After an entire afternoon spent debating the Bill, the Christian Democrats attempted to return it for redrafting, and when this failed, submitted a joint proposal with the Civil Democrats that it be rejected. But the parties of the left were successful. "The new Labour Code sets forth in liberal fashion the relations between employees and employers under labour law," said the Minister of Labour and Social Affairs, Zdeněk Škromach. He pointed out that a fundamental change against the still current code, which was passed in 1965, is acceptance of the principle that if something isn't banned, it's permitted. At present the opposite holds true, that if it isn't permitted, it's banned.

## Worries about Turkey's Accession to the EU

A referendum which would see the population deciding whether it wants Turkey in the European Union or not is out of the question according to politicians. With the exception, that is, of the Christian Democrats, which is the only Czech parliamentary party to express its implacable opposition to the entry of Turkey into the EU. The Christian Democrats are worried that discussions on the accession of Turkey into the EU will reinforce the opposition of the Europeans to further integration. For this reason they would like to see a referendum held regarding each new candidate for membership of the EU.

## Brain Drain from the CR to the West

Clever brains are packing their bags. There is a struggle underway in Europe to acquire the most highly qualified specialists, with a study published by the European Commission showing that the most talented students will leave the ten new members of the EU for the West. And the migration of educated people will not spare the Czech Republic. A survey by the Research Institute of Labour and Social Affairs shows that four percent of Czech scientists and researchers take for granted that they will work abroad, with 28 percent already giving it active consideration. Western Europe above all needs information technology experts, scientists, pharmacists, chemists, designers, research workers, and doctors. The advanced countries of Western Europe are openly offering such people outstanding jobs, good conditions for research work, and, naturally, corresponding remuneration.

## People Assess the Work of Politicians in the CR

While President Václav Klaus receives a favourable rating from almost three quarters of the population in October's survey carried out by the STEM agency, the government and parliament cannot boast of the same popularity. More than two fifths of those questioned were satisfied with the work of the government, and more than a third with the activities of parliament. Although the government achieved its best results for the last three years, there is an underlying dissatisfaction expressed by people with the political situation in the country. This was most intense during the spring crisis involving the government of Stanislav Gross (91 percent disapproval rate), though the level of satisfaction rose after Jiří Paroubek took over the reins of government. Even so, the STEM research shows that three quarters of the population are unhappy with the Czech political scene.

## Approval of the Budget for 2006

The government draft budget for 2006 has undergone its first reading in parliament. The basic parameters of the budget, which will feature a deficit of more than CZK 74 billion, have been pushed through by the government and will not now be amended. As expected the opposition Civil Democrats (ODS) came out against the budget, coalition MPs voted in favour, while the communists abstained. Of the 193 MPs present 98 voted for the government, with 97 votes needed for approval. The budget anticipates incomings of CZK 884.4 billion (EUR 26 billion) and outgoings of CZK 958.8 billion. Mandatory expenditure, i.e. the expenses which are obligatory under the law, will represent 53 percent of total expenditure, i.e. CZK 508 billion (EUR 16 billion). Social security payments form the bulk of statutory expenses, which will be up on 2005 by 6.6 percent. Old-age pensions will increase by 4.9 percent, i.e. by an average of CZK 380 (EUR 12).

## Scientist Awarded Top Prize in the CR

Since Wednesday afternoon the founder of electron microscopy and the initiator of the production of globally competitive electron microscopes, Armin Delong, can bask in the title of Scientist of the Year 2005. The cabinet today decided that it would award him the National Prize of the government of the Czech Republic, the "Czech Head". This is the first time the prize has been awarded and its winner will receive a million crowns. The eighty-year old Delong is not only a scientist in the sphere of pure research, but in the opinion of experts also an example of how a scientific worker should realise their ideas. After 1989 he demonstrated this in practice, by establishing his own company to manufacture specific outputs of his research. "This is an example of how successfully science and business can work together," said the Vice-Premier for the Economy, Martin Jahn, assessing Delong's activities.

## The CR Submits a Complaint to the European Commission Regarding Visa Policy

The European Commission is looking into a Czech complaint relating to the United States, Australia, Canada, Brazil and Brunei, to the effect that these countries are preventing Czechs from entering them without valid visas, while their own citizens do not require a visa to travel to the CR. The Commission is due to publish the middle of January. "The CR is submitting a complaint regarding the unfair treatment of certain countries in relation to EU countries, which could all enjoy the same status. The Commission must give an opinion within three months (of the complaint being made in October) and submit it to the Council of Ministers of the EU," said Karel Kovanda, representative of the Director General for External Relations at the European Commission.

Source: ekomail, www.novinky.cz, www.ihned.cz

The free movement of workers is one of the basic freedoms of the single market and should be available to all citizens of the European Union. For this reason we appeal to all member states which apply any restrictions to citizens of new countries to give consideration to whether the transition period still needs to be maintained in the EU. In January 2006 I shall publish a report on the movement of workforces since May.

**Could you give us some idea of what countries you expect to terminate this transition period and which countries will not?**

It is still too early to reach any conclusions. However, we have had very positive signals regarding the possibility of terminating or not prolonging these transition periods, especially from Scandinavia and the Mediterranean countries. But so far no country has made any official announcement to the Commission. There is still time for that until April of next year, when the individual member countries are obliged to inform us of their intention to prolong the transition period or to discontinue it.

**Within the framework of the EU the free movement of worker is a long-established principle, Nevertheless, figures and statistics show that only a minimum of individuals actually avail themselves of this right and work outside their own country. Do you think that this phenomenon is also linked with the unwillingness of certain employers to take on foreign workers?**

Absolutely not. However, the truth is that freedom of movement for the purpose of employment is pursued by only 1.5% of Europeans. The causes for this operate on two levels. First of all it may well be a fact that people simply remain in the

place where they have spent the larger part of their life, where they have their roots, family, and often some form of material base. On the other hand it might be the language barrier which dissuades people from looking for work abroad. Whatever the case the European Commission is trying to encourage mobility by means of community programmes and also by passing legislation to the benefit of citizens. Last week the Commission passed my proposal for the transferability of supplementary pensions. If we want employees to be more mobile and flexible we cannot punish them by reducing their pension when they change employer. We have announced the year 2006 as the year of mobility, in order to boost the profile of the possibilities of the European job market.

**The question of economic migration of third country citizens to the EU is related to what we have talked about above. Although this migration could resolve certain problems plaguing member countries, it also brings with it a certain risk. The commission has taken up this theme in its green book. What direction is this debate heading in?**

In the year 2030 there will be a shortfall of approximately 20 million workers on the European job market. Two possibilities therefore present themselves: encourage an increase in the birth rate, and immigration. Of course, migration must naturally be linked with very effective integration policy, it must be targeted and serve the requirements of the European job market. EU citizens should not regard the immigrants as a threat, but rather as a source and opportunity for maintaining economic growth, above all given the problem of the ageing European populations, a problem which we shall be forced to confront in the future.

**Your portfolio also includes the issue of equal opportunities for men and women. A very current theme is the establishment of the European Gender Institute. What further measures are you planning in the future?**

It is true that this new institute is to be founded in 2007. And generally it can be said that there is a strong foundation for equal opportunities in Union law. Now it is a question of implementation. The change starts in our heads. We cannot allow women to take on two or three times larger a burden than men. When women go out to work it is important that men play their part in looking after the household and the children. In the northern countries this already operates well and the participation of women on the job market is relatively high, and the birth rate too. This year the Commission will issue a document which is a continuation of the debate on equality and non-discrimination within the expanded Europe. It will deal with questions such as the wage differential between the sexes, which at present is something in the region of 16%, a figure which is unacceptable. It will also examine the problem of by what means we achieve greater participation of women on the job market, questions of specialist preparation, achieving an equilibrium between work and home life, and participation in decision-making. My endeavour is to ensure that these questions become crucial topics during the following Austrian presidency.

**Thank you very much for the interview**

Ondřej Hradil  
CEBRE



Economic Chamber of the Czech Republic  
(ECCR)

The Economic Chamber of the Czech Republic is the self-governance institution in the Czech Republic. Within its structure it embraces more than 60 active district and regional chambers as well as 70 professional associations covering the entire territory of the Czech Republic and the entire scale of enterprises, from the largest to the smallest. This network ensures daily contact with the entrepreneurs, monitoring of their interests, and efficient representation vis à vis the Czech Government. The ECCR provides custom and certification services, legal and legislative services, and representative and information services. It plays an important role in supporting exports, European integration, and SMEs. Its Court of Arbitration resolves commercial disputes relating to foreign and domestic trade.

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Confederation of Employers' and Entrepreneurs'  
Associations of the Czech Republic

The Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic is an independent, voluntary and open lobby group promoting and coordinating entrepreneurial, employers' and professional interests in negotiations with Parliament, Government, public administration and Trade Unions. At present the organization has the following members: The Association of Entrepreneurs of the Czech Republic, The Union of Employers' Associations of the Czech Republic, The Union of Agriculture of the Czech Republic, The Association of Textile, Clothing and Leather Industries, The Association of Building Entrepreneurs of the Czech Republic, and The Union of the Czech and Moravian Producer Cooperatives.

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Confederation of Industry  
of the Czech Republic

The Confederation of Industry of the Czech Republic is a non-governmental, voluntary federation of employers and entrepreneurs in the Czech Republic. It represents and defends the interests of employers in the sphere of social policy during tripartite negotiations with the Government and Trade Unions. It strives to define, support and assert its members' interests in order to achieve prosperity and favorable business environment. It also provides consultation and information services for its members that focus on international relations, trade opportunities, production cooperation, legislation, collective bargaining, European integration, education and training. It is a full member of the International Organization of Employers (UNICE).

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- Protects the interests of Czech business community vis à vis the EU institutions
- Informs Czech businesses about EU legislation affecting them
- Trains Czech entrepreneurs and managers in Brussels, the heart of the EU
- Represents Czech business association at European business federations

CEBRE operates within the legal framework of CzechTrade in Brussels as a part of the commercial and economic section of the Embassy of the Czech Republic to the Kingdom of Belgium.

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