

# Czech Republic

## INCLUSIVE LABOUR MARKETS: ENSURING NO ONE IS LEFT BEHIND



**Authors:** Chiara Crepaldi (IRS), and Team of Caritas Czech Republic,  
Caritas Czech Republic Coordinators: Alžběta Karolyiová, Tomáš Nyč

**Caritas Europa coordinator:** Lucy Anns

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# About this report

Caritas organisations are essential actors in the fight against poverty and social exclusion, and a striving for social justice. They do so by assisting and providing services to people in need, as well as by presenting alternatives to address unfair structures, policies and measures.

The Caritas CARES poverty reports are an important instrument in this endeavour. Caritas informs local, regional, national and European authorities and formulates recommendations, based on its daily work with people experiencing poverty. Caritas CARES poverty reports support the advocacy efforts of Caritas at national and at European levels and ensure that the voices of the most vulnerable members of our societies are heard.

The focus of this edition is on inclusive labour markets and social economy as part of national social models. The report focuses particularly on the challenges that should be urgently tackled to make labour markets more inclusive and to promote the social economy, making use of selected Sustainable Development Goals (SDGs) and targets on poverty and employment as reference frameworks and based on Caritas Europa's vision for sustainable social models, as well as existing EU and Council of Europe processes, programmes and legal instruments.

This report has been realised on the basis of a questionnaire, designed in consultation with the participating member organisation.

# About Czech Republic

Caritas Czech Republic provides nearly 800 social services as well as health and other support services and programmes. Caritas services are provided to people who happen to be in distress or in difficult social situations, people with disabilities, the terminally ill, homeless people, substance users, prisoners, victims of domestic violence and trafficking, people in crisis affected by extreme events, as well as migrants and refugees. The main service users and beneficiaries are

families with children, seniors, people with disabilities and homeless people. In 2020, Caritas Czech Republic's social and health services reported work with 179 388 clients.

Caritas Czech Republic also plays a relevant role in promoting the debate on emerging social issues in the country and advocates for better social policies in the Czech Republic. The advocacy activities of Caritas Czech Republic focus, among other issues, on employment,



| Photo: Social activation services for families with children OCH Kutná Hora. Source: Jakub Žák

debt issues, long-term care, housing, family policy and child protection, minimum income and the quality and financing of social services.

The data used for the preparation of this report comes from a questionnaire survey, conducted between 30 March and 21 April 2021, of 553 social service representatives of Caritas Czech Republic. The report also draws on information from the activities of the Caritas Czech Republic's expert collegia, which provide a platform for the exchange of experience

and knowledge across the network of Caritas Czech Republic services. Last but not least, the report also reflects the outputs of other relevant institutions and actors.





## Contacts

**Contact person:** Tomáš Nyč

**Title/function:** Policy and Advocacy Analyst

**E-mail:** [tomas.nyc@charita.cz](mailto:tomas.nyc@charita.cz)

**Telephone:** +420 734 681 129



**Photo:** Asylum house for mothers with children in need and leisure activities for children FCH Kralupy nad Vltavou. **Source:** Lubomír Kotek



# Frameworks for an inclusive labour market

Within Catholic Social Teaching, there is a recognition that economic activities must operate within a broader moral framework of honesty and accountability, respect for human dignity, fairness, and a vision of integral and authentic development that goes beyond mere material profits. The economy must serve people, not the other way around. Work is more than a way to make a living; it is a form of participation in society. If the dignity of work is to be protected, then the basic rights of workers must be respected – the right to productive work, to decent and fair wages, to the organisation and joining of unions, to private property, and to economic initiative. In the final statement of Pope Francis' *'Economy of Francesco'* (2020), it is stated that 'the right to decent work for all, family rights and all human rights [must] be respected in the life of each company, for every worker, and guaranteed by the social policies of each country.'

These rights are also enshrined in the Sustainable Development Goals (SDG 8), the International Labour Organisation Conventions, the European Charter of Fundamental Rights, the European Social Charter (revised), and more recently, the European Pillar of Social Rights (EPSR) (2017). The 20 principles of the EPSR are what guides the Member States towards a strong social Europe that is fair and inclusive.

For Caritas, respecting the rights and dignity of every worker necessitates a human-centred economy, founded on the 2030 Agenda and the SDGs, which puts people and the climate at the centre of the economic system and is based on an understanding of how the economy, climate and social rights are interlinked and interdependent. It is a sustainable and inclusive social model, which does not consider economic growth as an end in itself but rather as a means for social and environmental progress in combination with climate protection. Human-centred economic policies are therefore based on an assessment of social and environmental needs and boundaries, and are developed with the common good in mind, in order to deliver benefits for people and for the planet.



An essential element of a human-centred economy is an inclusive labour market, which is one of the pillars of Caritas' social model. Active inclusion, adequate income, sustainable employment, and quality services remain mandatory objectives for every economic system oriented towards justice and the common good. Inclusive labour markets, therefore, recognise the value of work and people's contributions to society.

| Photo: Counselling Centre in Most. Source: Jakub Žák



## SECTION 1:

# Current challenges in the labour market

## 1.1. The labour market: pre- and post-pandemic

### 1.1.1. The evolution of the socio-economic context

According to Eurostat statistics, between 2010 and 2020, the **employment rate**<sup>1</sup> in the Czech Republic rose from 70.4% to 79.7%, somewhat higher than the EU-27 average for 2020 of 72.4%. Over the same period, the female employment rate<sup>2</sup> increased significantly from 60.9% to 71.9%, in this case again higher than the EU-27 average of 66.8%. However, the figures relating to the third quarter of 2020, show a reduction in the employment rate of -0.8 percentage points (pp) when compared to the third quarter of 2019. For women, the decrease was even higher (-1.1 pp).

Between 2010 and 2020, the **unemployment rate** in the Czech Republic fell from 7.1% to 2.5% (-4.6 pp), while for the same period the decrease registered for the EU-27 was lower (-3 pp) reaching 6.9% in 2020. The figures for 2020<sup>3</sup> show an increase in the unemployment rate from 2.0% in the first quarter of 2020 to 2.7% in the third quarter of 2020 (+0.7 pp) and further increase has been reported in 2021. For women, the increase was from 2.4% in the first quarter of 2020 to 3.1% in the third quarter of 2020.<sup>4</sup>

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1 % of population aged 20-64

2 % of females aged 20-64

3 % of population aged 20-64

4 % of females aged 20-64

Concerning **youth unemployment**<sup>5</sup> over the last decade (2010–2020), it was and has remained slightly lower than the EU average. While in 2010, youth unemployment was at 18.3% (compared to 21.5%, the EU average), it dropped to 8.0% in 2020, while the EU average reached 16.8%. The same can be said for female youth unemployment. It was below the EU average in 2010 (18.5% compared to 20.9%), and it dropped to 9.2% in 2020, 7.5 pp below the EU average (16.7%).

The **employment rate of the population aged 15–24** did not shift over the last decade in the same way as that for the overall working population. Eurostat data indicate that the employment rate for young people, between 2010 and 2020, remained stable, 25.2% in 2010 and 25.1% in 2020, both being 6 pp lower than the EU average (31.7% in 2010, and 31.5% in 2020) (Eurostat 2021).

The **in-work at-risk-of-poverty (IWP)** rate in the Czech Republic was 3.2% in 2009 and 3.5% in 2019.<sup>6</sup> The highest rate was reported in 2012 (4.5%). Czech women are more at risk of in-work

poverty than men; in 2019 the IWP rate for women was 3.7% and for men the rate was 3.2% (Eurostat 2021a). People with ‘employee’ status were at less risk of in-work poverty compared to other workers (Jahoda, Sirovátka, 2019: 6). Although the IWP rate is low in the Czech Republic, it is crucial to note that the method of calculation of the IWP rate does not take into account the high number of people in the Czech Republic whose wage is further reduced due to the enforcement of monetary judgments (distrainment orders) or due to other deductions (Biben, 2018). This could mean that in fact there are more people experiencing in-work poverty than the official statistics indicate.

As emerges from the 2020 European Commission Country report (see European Commission 2020a), the Czech labour market is characterised by both labour and skills shortages and by low unemployment levels, factors that put pressure on continuous increases in labour costs and wages, but that in turn may hinder further growth and competitiveness.

### 1.1.2. Challenges in the labour market for vulnerable target groups

Before the COVID-19 pandemic, the drop in unemployment rates and the related demand for labour led to an increase in investment in labour productivity technologies and an improvement in labour conditions. Some of these improvements included: wage increases; an increase in the minimum wage; the rise of

more flexible working arrangements (often used by women with children); and a reduction of precarious forms of employment, plus offers of various benefits for employees (e.g. kindergartens). In addition, the labour market became more open to graduates, in response to the shortage of workers (see chapter 1.1.1).

5 % of active population aged 15–24

6 For age group 18 years and over.





Photo: Charity nursing service Mladá Boleslav. Source: Jakub Žák

Even in such a context and ‘despite some improvements, the **low skilled, older people and people with disabilities** are still not fully integrated into the labour market, partly because active labour market policies are not well targeted and tailored’ (European Commission, 2020a: 3). At the same time, there was less availability of affordable childcare, and this posed (and continues to pose) barriers to **female participation in the labour market**. Also, difficulties related to the integration of foreign workers into the labour market could be seen in the Czech Republic (European Commission 2020a: 3).

It can be seen from the practice of Caritas’ services that other groups have also remained excluded from the labour market, such as those experiencing long-term unemployment, people facing over-indebtedness, members of ethnic minorities such as Roma people, and migrants.

There is a large group of **over-indebted people**, who are forced, by the nature of the debt enforcement and insolvency system, and the inflexible system of social benefits, to work in the informal economy (see chapter 2.1). For people whose debt repayments are being enforced, the guaranteed protected income base (i.e. that part of their income that cannot



be seized from the debtor) is lower than the minimum amounts offered by the system of social benefits. Large enforcement deductions from formal wages do not allow them to cover basic living expenses. This trend is reinforced by the rigidity of the welfare system, which results in substantial income shortfalls when people transfer between social benefits and formal employment. People experiencing over-indebtedness, especially families with children, have no real chance of working in the formal economy (SPOT 2021), which also has serious implications for their pensions in old age since they are not contributing to social security while in informal employment.

As regards the position of **Roma** on the labour market, it is not possible to determine precisely the unemployment rate of the Roma population due to a lack of data, but based on the trends in the unemployment rate in the Czech Republic, and estimates of the unemployment rate of the Roma population, it can be inferred that Roma face a high(er) rate of unemployment, especially in socially excluded localities (Sirovátka, 2014; Vláda ČR, 2020: 37). The practice of Caritas' services confirms that this situation has not changed even in times of economic growth. Among working Roma, a high proportion of people work in the informal economy, without a formally concluded employment relationship, as highlighted in the 2019 Report on the Situation of the Roma Communities in the Czech Republic (Vláda ČR, 2020: 38).

**For migrants**, the situation has remained difficult when it comes to the labour market. The Czech Republic supports labour migration, but has a very utilitarian approach to it, and migrant labour and social rights' protection,

according to Caritas, is insufficient. Working conditions are often unsuitable, and exploitation and abuse often occur. Access to employment appears to be problematic in this context. Only permanent residents, EU citizens, recognised refugees and asylum seekers have free access to the labour market. However, asylum seekers can only work after six months, and there is no integration support for them. Work visas and employee cards (residence and work permits) are issued only for a specific job, which cannot be changed within the first six months. Furthermore, document retention, overtime non-payment, last wages' non-payment, termination of employment after an accident at work or during pregnancy are all too common.

Persons facing multiple disadvantages often remain **long-term unemployed**. During the economic growth of the past decade the number of long-term unemployed had been decreasing, although remaining relatively high (OECD 2021a). Long-term unemployment, often associated with over-indebtedness and the other barriers described above, is a complex and unfavourable social situation with many interrelated negative phenomena, and therefore requires comprehensive support. However, active labour market policies are usually aimed only at addressing partial difficulties or only at finding work (SPOT 2018). Furthermore, active labour market measures are often designed for people with more favourable socio-demographic characteristics (younger or middle aged, with some level of education, without serious health problems) and less often for people with multiple disadvantages (Hora, 2018).

### 1.1.3. The impact of the pandemic on the economy and the labour market

The unemployment rate in the Czech Republic has remained low even in this difficult period of the pandemic, although the unemployment rate has increased during 2021 (see OECD 2021b:4). Therefore, employment had to be maintained through government support programmes. In addition, a large number of employees did not have to deal directly with the loss of work, but rather with its significant limitation, which was partly experienced without financial compensation. The pandemic has hit hardest those who have been in an unstable position in the labour market (e.g. precarious and informal forms of work) and the deterioration of their situation is largely not reflected in formal employment statistics.

The pandemic has meant a greater risk of falling into poverty for several groups: less stable groups in the labour market, people with lower education, households with children, and workers in the trade and services sector (PAQ 2021). The growth of poverty is illustrated by the significant increase in requests for food and material aid. The expectation is that the impact of the COVID-19 pandemic on the labour market in the Czech Republic will likely have a negative effect on the number of people experiencing in-work poverty.

Concerning **single parents**, a survey (*Klub svobodných matek 2020*) showed that more than half of the single parent respondents were forced into debt due to sudden declines

in income (through loss or reduction of work). The pandemic has affected **women more than men** due to their lower wages, a higher proportion of women in sectors more affected by the pandemic, and their more frequent employment in precarious positions (SPOT 2021). Those that have been most affected by the employment crisis during the pandemic are in fact those in **non-standard employment**.<sup>7</sup> At the same time the pandemic has accelerated some of the trends in the labour market (job polarisation, exclusion through digitisation and automation, new professions, and the need for appropriate retraining).

**Migrants** were not always fired, but received lower wages or were forced to accept unpaid leave. At the same time, migrants had to face additional challenges. The inability to enter on a visa-free stay affected a number of families (especially those from the Ukraine), and often children, seniors or partners remained cut off in their country of origin. There were also long delays in issuing residence permits and more complicated processes of granting permit extensions and changes of residence. Income drops/losses caused by production restrictions have also affected migrant workers as they represent 30% of the workforce in the manufacturing industry.

In addition, **long-term care (LTC) workers** have been badly affected by the COVID-19 crisis, and often have not been well equipped to cope.

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7 For more information about non-standard forms of employment see International Labour Organisation 2021 <https://www.ilo.org/global/topics/non-standard-employment/lang--en/index.htm>

The LTC sector employs a growing number of workers in the EU, many of whom are women, EU mobile migrants or third country nationals, with an increasing proportion of older care workers as well. In the Czech Republic, during the first wave of the pandemic (spring 2020), insufficient protection and support was provided to social care workers, outreach health care staff and informal carers. Attention was focused mainly on hospitals and medical facilities. During the autumn COVID-19 wave, and subsequently (September 2020 – March 2021), care workers were perceived as an important component necessary to managing the pandemic. However, it should be noted that a number of other entities were involved in the

communication with the ministries, including the management of Caritas Czech Republic, who played an important role, which led to better communication of measures and methodologies and corrections in process management and support systems. Protective equipment and methodological support were provided (in cooperation with the Ministry of Labour and Social Affairs, the Czech army, and *Médecins Sans Frontières* [Doctors without Borders]). Care workers were included among the priority groups for vaccination against COVID-19. The Ministry also subsidised increased expenses of the social services to overcome the crisis.

‘They fired me at work because I hadn’t gone for 4 days. I had been taking care of my sick husband at home, and I didn’t know that when he is hospitalised, I can no longer receive long-term financial support. I’ve already found another job, but there are so few orders that I can’t feed me and my daughter. Due to the pandemic, I can’t get another part-time job. After COVID-19 took my husband, I was horrified to find out that I was not entitled to any help from the state. My daughter is just hoping to have a chance at another life.’

— Mother Anna (49) and daughter Lada (15)<sup>8</sup>  
(Diocesan Caritas České Budějovice)

<sup>8</sup> Names have been changed for the purpose of this report.

## 1.2. The impact of the COVID-19 pandemic on Caritas' services

According to the results of an internal survey,<sup>9</sup> and based on expert views within Caritas on migration and healthcare, the **degree of service delivery between social and health service providers and beneficiaries** from Caritas Czech Republic target groups increased mainly during the period September 2020 – March 2021. Caritas Czech Republic's categories of social services have reported increased collaboration with the following groups: families with children, people of working age, the elderly, people with health problems, homeless people, people in crisis and victims of domestic violence.

Even where a lower number of beneficiaries was registered, the work of social workers and care workers was in some cases more demanding due to the need for more intensive work with some clients, difficult working conditions or staff shortages due to the COVID-19 pandemic. In cases where we registered fewer clients, and a reduction in the amount of work done with clients, this may be attributed to the beneficiaries' fear of a personal visit by/to social services due to COVID-19 and the restrictions on the operation of services due to anti-pandemic measures. Moreover, during the spring of 2020, some preventive social services were closed by

government decree, resulting in reduced service delivery and cooperation with social service beneficiaries.

According to Caritas, there was also a change in the requirements that Caritas' beneficiaries needed to tackle with social services. More often than before, social service needs related to income support, access to health care services, access to public housing, access to employment services, access to early childhood education and care, and access to homecare services.

The survey also revealed the **main challenges for beneficiaries of Caritas Czech Republic's social services**. Among the most serious problems faced by social service recipients as a result of the COVID-19 pandemic were: social isolation (reported by 76.5% of the respondents, deepening of mental health issues (noted by 57%), deterioration of physical health (by 37.6%), difficulties in managing children's education (24.2%), and job loss (or threat of job loss) (recorded by 23.5%). Digital exclusion was mentioned by only 13.9% of the respondents.

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9 The survey was conducted over 3 weeks in March and April 2021 and representatives of 553 social services of Caritas Czech Republic contributed to it.



Here is an account of assistance to one family during the pandemic:

Lada and her partner are raising two children, aged 5 and 7. Lada lost her job because the store in which she was working went bankrupt as a result of the COVID-19 pandemic. Lada's partner was struggling with finances – he has high deductions from his wages due to a distraint order. Lada started looking for a new job, but at that time she found out she was pregnant. Almost the entire income of the family was used to cover the rent and there were no other funds available to cover their utility bills or lunches for their children in school and kindergarten. Caritas Olomouc helped the family with payments of their energy bills, provided school equipment for one of the children and mediated assistance in order to pay for the children's lunches. Furthermore, Caritas provided the family with financial counselling and social therapeutic support, which significantly helped the family during a difficult, uncertain and stressful life situation. (Caritas Olomouc)

Not surprisingly, **social and health services had to adapt** to the conditions of the COVID-19 pandemic. Due to the closure of some types of social services in the spring of 2020, service delivery was interrupted or replaced by communication via telephone or other means. Social and health services also had to adapt to the epidemiological regulations and the increased need of protection of vulnerable target groups. Social service providers had to address the increase in service spending due to the COVID-19 pandemic, with parallel reductions in their incomes. At the same time providers had to respond to new types of situations. For example, in the case of homeless people, the aim was to provide accommodation (including quarantine facilities) in order to prevent the uncontrolled spread of infection among this group of people. Also, there was a need for extended operating hours of certain types of services (such as dormitories, low-threshold centres for homeless people). Frequent changes of regulations and conflicting rules for the functioning of social services were very burdensome for social service providers.

In the spring of 2020, the service providers also struggled with insufficient provision of protective equipment. Fortunately, in the period from September 2020 to March 2021, the lack of protective equipment was no longer an issue and services could continue. On the other hand, there was an increasing number of social service employees who were quarantined or ill with COVID-19, and the services were insufficiently staffed. Voluntary help was (and continues to be) used extensively in the social services.

Representatives of social services stated in the internal survey that, during the period from September 2020 to March 2021, they identified the following **issues as the most burdensome when providing the social services**: unclear duration of restrictions (noted by 55.52% of the respondents), government measures that were inadequate or difficult to implement in social service practice or that were frequently altered (recorded by 43.58%), unclear and ambiguous government measures (reported by 42.13%),

deteriorated mental health among beneficiaries (by 34%), and a large number of personnel with COVID-19 or quarantined (by 21.7%).

However, the COVID-19 pandemic did not have only negative effects. Social service employees (respondents of the internal survey) listed among others these **positive effects**: development in the use of new technologies, mutual support among employees and team cohesion, improved individual work with beneficiaries, the development of new knowledge and skills (e.g. in the field of crisis

management) and cooperation with new partners and volunteers. 33.6% of respondents (186 social service representatives) responded that they started collaborating with new partners precisely because of COVID-19 (e.g. other NGOs, schools, hygiene stations, suppliers, etc.) and 45% of respondents (251 social service reps) stated that they used innovative techniques, procedures or methods of work during that stage of the pandemic.

| Photo: Asylum house for mothers with children in need in Prachatice. Source: Jakub Žák



## SECTION 2:

# Assessing national and EU level policy responses

## 2.1. Czech labour market policies and responses and opportunities offered by EU policy making

The Czech labour market is in a peculiar situation compared to the EU, with a very low unemployment rate in recent years, a low level of informal economy and a minimum wage set by law, but there are still problems and challenges to be tackled. Some of these issues are described in the following paragraphs.

On average, there were 0.9 applicants per job vacancy registered by the Labour Office of the Czech Republic in May 2021 (Ministerstvo práce a sociálních věcí 2021: 3), so there is a shortage of workers in the Czech Republic. **Immigration** has therefore become an indispensable prerequisite for maintaining economic growth. The standard procedure for obtaining visas and work permits is long and complicated, so the Czech government operates several special regimes through which employers can quickly and easily

find and employ workers from selected countries outside the EU (Ukraine, Mongolia, the Philippines, Serbia and others). However, there are no programmes supporting the employment of migrants who are already in the Czech Republic. Only migrants with free access to the labour market (see chapter 1.1.2) can benefit from social services support (counselling, social rehabilitation) in the field of employment, similar to Czech citizens.

Policies addressing selected new migrants in the Czech labour market are successful, but the state integration programme is intended only for recognised refugees (people granted international protection), while no support programmes are foreseen for asylum seekers. The implementation of a new *EU Action Plan on Integration and Inclusion* (European Commission,

2020c) could therefore contribute greatly towards building a more inclusive labour market by, for example, facilitating the recognition of qualifications, expanding migrants' access to health services, increasing public awareness on the migration challenge and dispelling migration myths (e.g they're taking our jobs, all refugees are illegal migrants, etc.).

A further key issue in the Czech labour market concerns the **adequacy of the minimum wage**, which is essential to help guarantee decent living conditions, prevent in-work poverty, and reduce precarious employment. In the Czech Republic, the level of the minimum wage is not adequate. It is one of six EU Member States whose minimum wage is less than half of median earnings (Eurostat 2021b). The minimum wage in the Czech Republic for 2021 is around €586 (CZK 15,200) per month and Caritas Czech Republic asserts that this level of minimum wage cannot be considered decent. A few years ago, a group of Czech experts defined the concept of a 'Minimum decent wage' (MDW). MDW is defined as a 'reward for a standard eight-hour workday which provides workers and their households with adequate financial means to live a life that is perceived by the majority of society as the basic' (Minimum Decent Wage 2021). For the year 2020, the MDW was calculated to be €1,250 (CZK 32,438) per month, which is far more than 60% of the median wage that should generally represent a wage that 'enables a single full-time worker to avoid a life in poverty without relying on state transfers' (EMPL 2020).

A European directive,<sup>10</sup> in accordance with Principle 6 of the European Pillar of Social Rights, would partially help to ensure a more adequate level of minimum wages across Europe. However, given that a Directive does not establish an increase in the minimum wage in *individual* Member States, but rather a common framework for minimum standards across the EU, Caritas Czech Republic does not believe that the current proposal for a Directive would lead to more significant support for inclusion in the Czech labour market. Caritas Czech Republic would welcome a proposed Directive that sets minimum wages above the poverty threshold.

Similarly, Caritas Czech Republic supports a wage increase for care workers and social workers. The social sector in the Czech Republic is very feminised (Kodinská, 2021) and has a large number of employees. An increase in guaranteed wages<sup>11</sup> for care workers would contribute to tackling the issue of the gender pay gap and reducing poverty among women. At the same time, social service providers need to have stable and timely state financing so that they can increase wages adequately. It is crucial that state representatives and legislators acknowledge social service wage expenses as mandatory state expenditure. This need is relevant also for social enterprises, as recent research shows that an increase of minimum wages is perceived as a risk factor for social entrepreneurs (Kročil, 2021: 51).

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10 European Commission (2020), *Proposal for a Directive of the European Parliament and of the Council on Adequate minimum wages in the European Union*, Brussels, 28.10.2020 COM(2020) 682 final.

11 See Labour code, Section 112.





Photo: Asylum house for mothers with children in need in Prachatice. Source: Jakub Žák

Compared to other European countries, the Czech Republic has quite a limited **informal economy**. However, this fact does not mean that there is no need to pay attention to this area. Due to the pandemic, further growth of the informal economy can be expected. Key factors leading people to access and remain in the informal economy, and to receive social benefits in the Czech Republic are: low minimum wages, over-indebtedness, the setting up of the system of debt repayment enforcement and insolvencies, and also the nature of the social benefits system, which forces people to work outside the formal framework of employment (see chapter 1.1.2). Specific government

legislation and measures can be used to try to eliminate the informal economy (Lithuanian Free Market Institute, 2018: 33). These include the adoption of the Act on Registration of Sales, the central register of accounts, the operation of the government unit Tax Cobra and an amendment to the Insolvency Act. To eliminate informal work, financial sanctions are introduced for both the worker and the employer. However, these sanctions do not help those trapped in the informal economy, nor address the causes that lead people into undeclared work, and neither create the necessary conditions to help those in the informal economy to find employment in the formal labour market.

## 2.2. The EU framework

Introduced in 2010, the **European Semester** enables Member States to coordinate their economic and social policies throughout the year. Within this framework, each year in May, Country Specific Recommendations (CSRs) are issued to EU Member States to provide guidance for national reforms over the following 12–18 months (European Commission, 2020b).

As far as the labour market and social inclusion are concerned, the Czech Republic has been recommended, through the CSRs, to take action in 2020 and 2021 as follows:

1. (...) Ensure the resilience of the health system, strengthen the availability of **health workers**, primary care and the integration of care, and deployment of e-health services.
2. **Support employment through active labour market policies, the provision of skills, including digital skills, and access to digital learning.**
3. Support small and medium-sized enterprises by making greater use of financial instruments to ensure liquidity support, reducing the administrative burden and improving e-government. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on high-capacity digital infrastructure and technologies, clean and efficient production and use of energy, and sustainable transport infrastructure, including in the coal regions. Ensure access to finance for innovative firms and improve public-private cooperation in research and development.

In general, Caritas Czech Republic agrees with the proposed reforms suggested in the Country Specific Recommendations (2020) in terms of their adequacy and feasibility, as their emphasis on the inclusiveness of the labour market coincides with the point of view of Caritas Czech Republic (e.g. emphasis on supporting childcare and enabling distance work, the active employment policy, support from public services, equal access to education).

Caritas Czech Republic considers it very important that the proposed measures take into account the fact that additional expenditure may be problematic for some households, especially for low-income families. For example, an emphasis on continuous digitalisation in education no longer takes into account the limited budget of many families for whom hardware/software/internet/data purchases may already be financially too burdensome. With regard to the final recommendations for 2020 and 2021, it has to be noted that only the need to ensure the resilience of the health care system is explicitly mentioned, but not social care.

To mitigate the socioeconomic impact of the pandemic and to help European economies and societies become more sustainable, the recovery plan and the *Recovery and Resilience Facility* (European Commission, 2021), developed by the EU, may present an important opportunity for the Czech Republic to address its social needs. According to data, additional

funds should go to the ICT equipment of employment offices/job centres, which Caritas Czech Republic considers important. However, this will not have a significant impact on the quality of services provided to the unemployed. Caritas Czech Republic sees enhanced funding of social services, and the social sector as a whole, to be one of the most impactful steps in this area. The National Recovery Plan (see *Národní plán obnovy 2021*) originally reflected a number of areas (especially infrastructure, as mentioned above), but only a disproportionately small part was devoted to the social sector. Caritas Czech Republic does not consider this adequate and therefore made a concerted appeal, along with other partners and organisations, which resulted in the subsequent allocation of CZK 9 billion to social services and CZK 28 billion to the sector as a whole. But due to the conditions set, the disbursement of this allocation is still at risk.<sup>12</sup>

A European policy crucial for the Czech Republic is the *European Social Fund (ESF)* (Regulation EU No 1304/2013). It has enabled the Czech Republic to make important progress in social inclusion, securing funding for children's groups, helping the unemployed and otherwise disadvantaged to enter the labour market, assisting with lifelong learning, and helping to combat various forms of discrimination and inequalities (e.g. training of the unemployed; special programmes for people with disabilities, children, young people and ethnic minorities and other disadvantaged groups). The ESF has also supported the creation of innovative

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<sup>12</sup> If an amendment to the Social Services Act or an act addressing the provision of services which combine social and health care is not adopted by the end of 2021, it will not be possible to draw on the CZK 9 billion National Recovery Plan.

training programmes for employees, the development of employment service institutions, improvement of the conditions for the use of ICT by pupils and teachers, projects focused on the employment of people with reduced employability in the labour market, and projects focused on employing young people in companies and supporting older workers. An example of such a project is the currently implemented *Support for Forms of Flexible Employment* (Úřad práce 2021), in which clients receive individual support, counselling and training opportunities through the employment office. Overall, these projects have made a significant contribution to employment solutions and support for disadvantaged groups.

The administrative burden (barriers) has made it very difficult for organisations to submit project proposals, which in turn has limited the services that these organisations have so far provided to help those target groups facing a relatively high threshold for entry (integration) into the labour market. Caritas Czech Republic perceives the limitations set by the rules for de minimis support as an obstacle to more effective use of the ESF (*Monitorovací výbor OPZ*, 2020: 13). In the case of church organisations (as well as other social service providers and associations), this is reflected in the fact that they are (in the framework of subsequent controls) considered as a single entity, although they run several diverse activities. This could lead to the possibility of cessation of funding. Caritas Czech Republic believes that a revision of the current rules is therefore needed.

The new ESF+ (European Commission, 2018) will focus on three main areas in the period 2021–2027 and will be a key EU financial instrument for improving workers' mobility and employment opportunities, strengthening social cohesion, improving social fairness and increasing competitiveness across Europe. Caritas Czech Republic plans to use these funds at national level, to support innovative projects that will target individuals who have lost their jobs, as well as those who are just entering the labour market (through more precise targeting of their individual possibilities and needs). It is also important to focus on improving support for older workers and their conditions in the workplace, as well as young people who have completed their education but do not yet have experience, as well as parents after maternity/paternity leave, and those who have difficulty in maintaining a job (due to disability or long-term deteriorating health). The ESF+ is also needed because the crisis has hit women very hard, revealing persistent inequalities in society (for example, deepening poverty, domestic violence, inadequate medical care, unpaid care and housekeeping, and over-representation in the essential services and health or care sectors). Additionally, many people incur unnecessary debt due to lack of awareness or information about the possibility of preventing job loss or accessing help after graduation. Furthermore, the social security system does not actively protect these people and the individual very simply falls through the social support network, or does not even reach any social support (European Institute for Gender Equality 2021).



## 2.3. The Social Economy

The role of the social economy in the Czech Republic is relevant in promoting social cohesion, social sustainability in the economy, access to services for the most vulnerable and environmental sustainability.

In the national context, social entrepreneurship is associated mainly with the employment of people with a disadvantage in the labour market (Dohnalová et al., 2018: 15). Many social enterprises work mainly with people with health disabilities (64–80% of all social enterprises in the Czech Republic), but only a small portion focuses exclusively on socially disadvantaged persons.<sup>13</sup> An important role of social enterprises in the Czech Republic is also the work activation of those experiencing long-term unemployment (Krejčí, 2019). In general, social enterprises in the Czech Republic often focus on more than one target group (European Commission, 2019: 49).

Most social enterprises in the Caritas network in the Czech Republic similarly focus on supporting the employment of people who are disadvantaged in the labour market (especially people with health disabilities).

The focus of Czech social enterprises is very diverse. Social enterprises focus, for example on gastronomy, accommodation, cleaning,

forestry and gardening, retail, construction, food preparation and distribution, etc. (European Commission 2019: 95). The Ministry of Labour and Social Affairs currently registers 173<sup>14</sup> social enterprises (*České sociální podnikání*, 2021). However, there are more companies in the Czech Republic that meet the characteristics of a social enterprise, as some social enterprises may not want to be included in the official database or present themselves as social enterprises, even though they meet characteristics of social enterprises (Dohnalová et al., 2018: 29).

### Concerning the **general problems and challenges of social entrepreneurship**<sup>15</sup>

in the Czech Republic, a few key issues can be evidenced:

- There is no Act on social entrepreneurship (and subsequent strategies), which clearly states the added value of social enterprises for society, nor defines the tax and other benefits for social enterprises.
- There is insufficient financial and political support for social enterprises. Social enterprises are not provided with adequate access to public procurement.
- There is insufficient support for social entrepreneurship from society and a lack of awareness of social entrepreneurship.

<sup>13</sup> However, it should be noted that during the compilation of this report, one legislative initiative, with the potential to address this shortcoming, was launched in the Czech Republic.

<sup>14</sup> Valid as at 30 June 2021.

<sup>15</sup> See European Commission 2019: 85; Dohnalová et al. 2015: 22; Dohnalová et al. 2018: 66 – 67, TESSEA 2020.

- Social enterprises have to deal with excessive administrative and bureaucratic obstacles.

Moreover, Caritas Czech Republic also sees other problems and challenges:

- The wrong application of rules for de minimis aid (through joint evaluation of church entities for the granting of support).
- Insufficient cohesion of the social economy legislation; discontinuity, inadequacy or non-existence of legal acts related to the social economy and related topics – e.g. social housing, social work, debt issues.

**In relation to the pandemic, new problems and challenges have emerged.** Among others, there has been a decline in sales with some enterprises having to reduce investment and development expenditure or reduce operating costs (Francová et al. 2020: 2, 3). Not all companies have been able to respond to the COVID-19 pandemic by reorganising production or compensating for their business losses through other means (Kročil et al., 2021:52).

In particular, social enterprises belonging to the Caritas Czech Republic network reported the following problems caused by the pandemic:

- It was not possible to receive official state compensation even with significantly limited production.
- It was not possible to receive the compensation related to COVID-19 and, at the same time, the other financial support that companies were/are entitled to gain regardless of the pandemic.
- There was a need for flexibility and the quick adaptability of employees (i.e. an additional workload on employees).

In the Czech Republic, only partial schemes and initiatives for the **promotion and support of social entrepreneurship** have been implemented. Caritas Czech Republic believes that policies in this area are not fully implemented because there is no legal act that defines social entrepreneurship.

Social entrepreneurship in the Czech Republic is supported by the European Social Fund (ESF) and the European Regional Development Fund (ERDF). Social enterprises can receive financial support for the employment of persons with health disabilities (this is stipulated by the Employment Act). Furthermore, social enterprises can also use the tools of the Active Labour Market Policy (ALMP), such as the creation of a socially useful job or receive financial support for community service. Financial support (incl. support from the ESF) is designated mainly for the integration of social enterprises (European Commission, 2019: 10). The ESF also funds the project 'Support of social entrepreneurship in the Czech Republic', which is implemented by the Ministry of Labour and Social Affairs (see *České sociální podnikání* 2021).

Nevertheless, these policies seem to be insufficient. The limited opportunities for social enterprises to receive financial support based on the Employment Act or the ALMP instruments can lead to a low level of diversity in the focus of social enterprises. This can also mean that social enterprises continue to support just a limited number of target groups. In the past, Caritas Czech Republic found that it was unrealistic for many social enterprises to meet the criteria that had been set in order to receive support (e.g. there were strict criteria for the sustainability of the business plan) (see also Dohnalová et al., 2018: 15). For further progress on these issues, it is important to address

the already mentioned problem of missing legislation and the insufficient promotion of the concept of social entrepreneurship in the relevant strategic documents.

The *EU Action Plan for Social Economy* could contribute towards building a more inclusive labour market if it addresses the problem of missing legislation for social enterprises, and encourages the Member States to increase support for their social enterprises as a form of entrepreneurship with significant benefits

for society as a whole. It should also clearly define the benefits of social entrepreneurship/ enterprises for society and tax relief for social economy entities, as their goal is not to maximise profits but to be socially beneficial (among other objectives, to motivate people into work who are disadvantaged in the labour market). It should also promote the perception of work as an activity which does not only serve as a tool for generating profit but which has a broader meaning for people and the society.

| Photo: Asylum house for men in Záblatí u Prachatic. Source: Jakub Žák



## SECTION 3:

# Caritas Czech Republic's promising practices

### **'Training café Rígrovka'**<sup>16</sup>

The café was established to help meet the needs of the clients of the Parish Caritas Kralupy nad Vltavou. Café employees are people with various disabilities, not only with health or mental disabilities, but also with other disadvantages that limit them in their access to the labour market. The café gives a job opportunity to those who want to work.

Café Rígrovka is a training café whose employees bake their own desserts, savoury pastries and prepare a lunch menu. The café tries to serve healthier food products, from scratch, and makes their own lemonades or sells beverages of Czech producers. This shows that the café is focused on own production or on products from local producers.

Thanks to the café, the Parish Caritas can inform the public about the problems and challenges of people living in the neighbourhood. The customer can contribute directly to improving the well-being of their community through their consumption in the café. Every purchase in the café provides help not only to a specific person but it also helps support other projects in the Parish Caritas.

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<sup>16</sup> [www.rigrovka.cz](http://www.rigrovka.cz)



### **‘Work integration social enterprise Pro-Charitu s.r.o.’<sup>17</sup>**

Pro-Charitu focuses on providing decent jobs for people with health disabilities. More than 80% of employees of Pro-Charitu are people with disabilities and this social enterprise strives for their full integration and social inclusion, and increases their skills, and thus also their chances on the labour market. Pro-Charitu approaches the environment with respect, processes BIO crops and uses packaging made of recyclable materials. It also runs activities in the field of social agriculture.

The social enterprise Pro-Charitu was founded in 2010 and has about 170 employees. The work integration focuses, for example, on the following activities and businesses: the production and sale of medical tools, clothing and bedding; production and sale of herbal syrups, and maintenance work. This social enterprise also runs 2 kitchens, a laundry, cleaning centre, café, herb garden and a bicycle museum.

In addition, in the social enterprise, Pro-Charitu, has participated significantly in the creation of a methodological manual for work integration and social entrepreneurship in the Czech Republic.<sup>18</sup>

The enterprise considers the following to be its success factors: diversification of the portfolio of products and services; development of long-term partnerships with commercial entities (especially in the field of healthcare); plus the strong and stable background of the parent organisation – Regional Caritas Červený Kostelec.

### **‘Reuse centrum – Provoz 13’<sup>19</sup>**

Provoz 13 provides meaningful work to people with health disabilities who are able to work and improve their skills in a safe working environment, at a professionally equipped workshop together with a carpenter and an interior designer. The carpentry workshop and interior design studio Provoz 13, run by Parish Charity Česká Lípa, is a key part of the project ‘Let’s Give Things Another Chance!’. The establishment and operation of the workshop is funded by the European Social Fund.

This social enterprise upcycles furniture that would otherwise have become waste. The advantage of Provoz 13 is that donors have the opportunity to see how their furniture is (re)used and what its future is. Furthermore, it offers interior design services for individuals or companies. Last but not least, it provides a furniture bank for people in difficult situations.

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<sup>17</sup> [www.pro-charitu.cz](http://www.pro-charitu.cz)

<sup>18</sup> Ergoprogress social innovation project; [https://www.ergotep.cz/images/kestazeni/metodika\\_ergoprogress\\_web.pdf](https://www.ergotep.cz/images/kestazeni/metodika_ergoprogress_web.pdf)

<sup>19</sup> [www.provoz13.cz](http://www.provoz13.cz)

During its existence, Provoz 13 has managed to redesign the interior of a therapeutic room for children in the Centre for Educational Care in Frýdlant in Bohemia, a massage parlour by the Lipý water castle, and relaxation corners for students at the Česká Lípa Grammar School. For these projects, new design furniture was made and combined with renovated items of old furniture.

### **‘Sheltered workshops of Caritas Opava’<sup>20</sup>**

Caritas Opava is a member of the Cluster of Social Innovations and Enterprises and employs more than 170 people with disabilities in the sheltered workshops of Caritas Opava and in the wellness centre. The focus of the social enterprise is broad and it offers a wide range of services in the field of wellness, assembly work, waste and electrical waste processing, custom sewing, machine embroidery and ceramic production. It also provides laser cutting and engraving in various materials and other services.

Sheltered workshops offer work to citizens of Opava and its surroundings. Workshops offer formal jobs with an employment contract to people with a health disability or mental illness who have difficulty or minimal opportunity of getting a job on the open labour market. A significant positive ecological aspect of the activity is the annual processing of more than 1,200 tons of electrical waste.

Caritas Opava has certifications ISO 9001 and ISO 14001. It is the seventh company in the Czech Republic in the field of electrical waste treatment that has received international certification from WEEELABEX for the processing of large appliances. It is the largest non-profit entity employing people with disabilities in the Opava region.

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<sup>20</sup> <https://www.charitaopava.cz/informace/chranene-dilnycharity-opava/2003>







## SECTION 4:

# Conclusions and recommendations

Although the Czech Republic is one of the EU countries with the lowest unemployment rates, this report points out that there are still major shortcomings in labour market accessibility for people who are experiencing some kind of disadvantage. At the same time, the Czech Republic has experienced a relatively significant increase in the unemployment rate in the last year, in which the COVID-19 pandemic certainly played a large role. Representatives of Caritas social services also point to the adverse effects of the pandemic on beneficiaries and – among other outcomes – a significant number of beneficiaries experienced job loss or threat of job loss. This was reflected in the beneficiaries' increased need for assistance from the social services.

In this context, it is clear that there is a great need to continue to support the creation and development of social economy entities whose

aim is not primarily to make a profit, but to benefit people's lives and the environment. There is also a need to continue to build and develop functional active employment policy instruments which will mitigate the impact of crises (such as the COVID-19 pandemic) that significantly affect the access of disadvantaged people to the labour market.

As this text points out, the Czech Republic still has significant gaps in the area of labour market inclusiveness and support for social entrepreneurship. For this reason, Caritas Czech Republic puts forward the following recommendations and believes that their adoption by relevant Czech and European stakeholders will support the development of a society in which human dignity is respected and the common good is valued.



## 4.1. National level recommendations

**RECOMMENDATION 1:** Implement active labour market policy measures to benefit persons excluded from the labour market or at risk of exclusion

It is necessary to implement active labour market policy measures which will address long-term issues and respond to recent trends in the labour market (e.g. digitalisation, automation, new professions, long-term staff shortages). They should provide for comprehensive, continuous support before, during and after entering into the labour market for those people excluded from the labour market; ensure cooperation between public employment services, social services, employers and other institutions; and provide retraining and qualifications in response to changes in the labour market.

**RECOMMENDATION 2:** Approve and implement legislation on social entrepreneurship and provide wide support for social entrepreneurs in the Czech Republic

The approval of legislation and strategies on social entrepreneurship is essential for the further development of the social economy. It is necessary to guarantee systemic financial and non-financial support to all social enterprises. This support should ensure sustainable business operations, the further development of enterprises, and decent wages for employees who are at a disadvantage in the labour market. It is crucial to fully recognise the importance of the social economy for society as a whole, so that appropriate rules for the support of social entrepreneurship can be formulated.

**RECOMMENDATION 3:** Decide where to direct social funding, taking into account the views of experts

During the negotiation of the new programming period, a 10% decrease in the ESF+ allocation was approved. Caritas Czech Republic recommends that the new government of the Czech Republic focuses on the opinions of non-governmental organisations and experts regarding the ESF+ in the social sector, and reopen the issue of setting the conditions for EU funds. Caritas Czech Republic recommends focusing on the impact of COVID-19 on the social sector and supporting people who have lost their trades, jobs or businesses. It is essential that the necessary funds are invested in people, at a time when their current situation has deteriorated in many ways, rather than investing in infrastructure.

#### **RECOMMENDATION 4: Set up a dignified and functional system for dealing with debt**

It is necessary to implement systemic change in debt management in order to help people return from the informal economy and integrate into everyday life. There is also a need to maximise the numbers of individuals and families who will qualify for debt relief. It is in the interests of over-indebted people and society as a whole. It is necessary to ensure that people can lead a dignified life and have their basic needs fulfilled. In this respect, Caritas Czech Republic recommends that the Enforcement Order (Act No. 120/2001 Coll.) and the Insolvency Act (Act No. 182/2006 Coll.) be amended so as to alleviate the burden of unenforceable amounts of debt.

## **4.2. National and EU level recommendations**

#### **RECOMMENDATION 5: Ensure adequate wages and rights within the social benefit system in order to tackle poverty**

It is necessary to revise the relevant legislation in order to establish a flexible system of social benefits' approval, so that working is beneficial for people and burdensome debts are prevented or reduced. Given that the Czech Republic is one of the EU countries with the lowest minimum wage, it is crucial to increase the minimum wage regularly (preferably annually) with consideration of the overall movement of wages in the country. While increasing minimum wages, it is also necessary to support adequate financing of social services and social enterprises, so these entities have their continued operation and development assured.

#### **RECOMMENDATION 6: Ensure the quality and financing of long-term care**

It is necessary to ensure stable funding for social services, increase the wages of care workers and improve their working conditions, including adequate training and support elements (for example, psychological support in times of crisis, etc.). It is essential to establish long-term care quality standards and personnel standards for the care workforce. It is necessary to develop activities aimed at reducing the degree of feminisation of the care sector and strengthening the prestige of social and care work. There is also a need to communicate the importance of care work to the general public and to strengthen the motivation of young people to work in this field.

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## List of abbreviations

- **ALMP:** Active labour market policy
- **CE:** Caritas Europa
- **CSRs:** Country Specific Recommendations
- **CZK:** Czech Koruna or Czech Crown (currency of the Czech Republic)
- **ERDF:** European Regional Development Fund
- **ESF:** European Social Fund
- **ESF+:** European Social Fund Plus
- **EU:** European Union
- **ICT:** Information and Communication Technologies
- **IWP:** In-work at-risk-of-poverty
- **LTC:** Long-term care
- **MDW:** Minimum decent wage
- **NGO:** Non-Governmental Organisation
- **SDGs:** Sustainable Development Goals



**Caritas Czech Republic**  
Vladislavova 12,  
Praha 1 CZ-11000, Czech Republic  
**Telephone:** +420 296 24 33 44  
**Fax:** +420 296 24 33 33  
**E-mail:** [sekretariat@caritas.cz](mailto:sekretariat@caritas.cz)  
**Website:** [www.charita.cz](http://www.charita.cz)

