

8 CZECH REPUBLIC - TRADITION COMPATIBLE WITH MODERNISATION?

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As with other national models, the Czech social policy model is an outcome of historical legacies, decisions made at different times by various actors, filtered by street-level implementation capacities and mirrored by public reflections of its operations and effects.¹ Up to now, it has been able to resist the one-sided, hard-line reforms happening in some other post-communist countries. Its piecemeal development can be characterized by its functional adaptation to societal, political and economic changes, which preserved its core functions: universal access to basic social and health services, and preventing the most vulnerable people from falling into poverty. Even with the impact of the European Union (EU), domestic factors and actors have played a decisive role in this development.

The European social model versus the Czech model

Historical legacies of the Czech national model

The Czech-Slavic Social Democratic Party was founded as early as 1878. Since then, social democratic, radical socialist and later communist political movements have always been present in the political life of the country. The Czech Lands have been significantly influenced by Bismarck's conservative corporatist social policy model even before the First World War. In the interwar period, Czechoslovak democracy put its stakes on the social dimension of individual and societal existence by advanced social legislation that became a pattern for Greece. The atrocious authoritarian behaviour of the communist regime after the Second World War was, in the eyes of many citizens, partially compensated by the delivery of core social services to everybody – and by full (over) employment as a chronic functional feature of the centrally planned economy. Pre-1989 Czechoslovakia was described by communist propaganda as a showcase example

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of a country with well-organised health and social services (even in the context of the Soviet bloc). The reason for the final collapse of communism was not so much the mediocre, technically outmoded quality and sometimes limited availability of social services as the sorry state of the economy.

Czech national model: post-communist development and its recent shape

Because the final stages of the country's preparations for EU entry and the first years of full membership coincided with the Czech Social Democratic Party emerging as the only, or the most influential, political force in government (July 1998 – June 2006), the government's attitude towards the EU and its policies was quite favourable. There is an apparent cleavage between the political parties that are pro-European and that participated in the executive branch of the government (the Social Democrats, the Christian Democrats and the Union of Freedom) and the opposition parties that took an appreciably more reserved or even openly critical attitude towards the deepening of European integration (the Communists and the Civic Democratic Party). Most of the general public supports the country's EU membership, including most Civic Democratic Party members (in contrast to their leaders).

There is one both nationally and internationally thrilling element in the policy debate on the EU, its future and its social dimension: the stance of Czech President Václav Klaus, an outspoken critic of the EU's present shape and developmental tendencies. Klaus warns against the tendency to embrace or even strengthen the coordinating and consultative mechanisms apparent in EU policy making. In his lecture 'From integration toward unification', presented to the Czech Learned Society on 15 May 2006, he pointed out that the liberalising effect of European integration has waned, whereas the present harmonising and standardising processes would necessarily lead to top-down steering and the bureaucratisation of human lives. Klaus believes that this homogenising and unifying tendency should be replaced by a return to the liberalising phase.² In reaction to the lecture, a group of 66 outspoken Czech scientists wrote an open letter to Václav Klaus on 24 May 2006. In 'The letter of the scientists to the President' (Dopis vědců prezidentovi, in Czech), daily *Právo*, 25 May 2006, they did not share his critical view of the European integration process (compared to the previous integration attempts within the Soviet bloc). They opposed both his idea that EU membership was associated with a democratic deficit and his proposal to reduce collaboration within the EU to the customs union. They did not

² Klaus already voiced these opinions in the article 'Why Europe must reject centralisation' in the *Financial Times* 29 August 2005.

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fear that European integration might result in the loss of Czech national or cultural identity; after joining the EU they saw neither signs of economic problems nor the irresistible pressure of Brussels' bureaucracy.

As a neoliberal thinker, Klaus finds it difficult to accept the contemporary institutional and functional shape of Czech social policy (see Klaus 2005, p 1; Potůček 1999).³

The present condition of the Czech social model may be characterised as popular support for its main functions (though the public remains rather critical of the quality of services), the high efficiency of redistribution toward the most vulnerable (with social and health public spending at 19.1% of the GDP in 2005, and with the percentage of the poor — i.e. people with incomes below 60% of the national medium income — at 8% in 2002), and the universal though modest (and in some situations even unsatisfactory) delivery of core social and health services.

By and large, the European social model (ESM) (as defined above) and the Czech Social Model (as it has evolved up to now) are fully compatible in terms of history, culture, institutional frameworks, attitudes of the population and political legitimacy.

Main principles in national reforms

In general, the EU has played an active role in supporting and mediating modernisation in the new MSs. Its positive influence is identifiable in various fields. Most noteworthy is the EU's assistance to institution and capacity building (e.g. PHARE projects), and specifically designed modernisation efforts – a reform of public administration, regulatory reform, training of professionals (including civil servants), implementation of new methods of public management and administration, collaboration in the field of education, etc.

The history of systematic preparation of the candidate countries for accession started with the launching of the Copenhagen criteria of accession (1993). These criteria were designed more as a technical (economic and political) instrument from above than as an appropriate tool to steer peoples' living conditions in the candidate countries. In other words, legal, economic and political issues prevailed. Candidate countries were asked to reform their national economies to be able to compete – and be compatible – with market economies of the present MSs. They had to build robust, reliable institutions of political democracy. They were asked to adjust their legal and administrative systems to the *acquis communautaire*. The

³ Klaus, Václav (2005) 'Principy zdravé sociální politiky' (The principles of healthy social policy, in Czech), *Sondy*, vol. 31, No. 31, p. 1. Potůček, M. (1999) *Křižovatky české sociální reformy* (The Czech Social Reform at the Crossroad, in Czech.) Prague: Sociological Publishing House.

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fast progress in both economic and political adjustment to these requirements has been astonishing and deserves high evaluation.

Nevertheless, genuine social goals were at the very bottom of the list of priorities – limited to the preservation of individual human rights and the building of a loosely defined framework for social policy making. The containment or reduction of poverty and income inequalities, labour rights, a living wage and the alleviation of the fate of the marginalized groups — in other words the fight against social exclusion — did not form an integral part of the Copenhagen criteria reform agendas. Most national social policies in the candidate countries in the early and mid-1990s consisted of the withdrawal of the state and the improvement of efficiency by the privatisation and marketisation of the services. These steps were to be completed by the reduction of coverage and standards for all social benefits except social assistance, a well-targeted safety net for the poor (Ferge 2001).⁴

The European Council launched the economic nucleus of the Lisbon Strategy in March 2000, enriching it with a social dimension in Nice in December 2000. Soon after, the environmental dimension followed in Gothenburg June 2001. It was a stream of new political initiatives stressing the importance of human resources, quality of life, social cohesion — in short, the ‘social fabric’ of contemporary societies. The Czech Republic was asked to take part in the Lisbon Strategy negotiations only after the 2002 Barcelona Summit, when the new Member States had completed their preparations for entering the EU (until then organized under the logic of the Copenhagen criteria). The Czech Republic’s full-fledged participation in the Lisbon Strategy started only with its accession to the EU in May 2004. Thus, social policy moved to the top of the EU political agenda of enlargement as late as a decade after the establishment of the Copenhagen criteria of accession.

Meanwhile, neither the governments of the candidate countries nor the EU institutions were able to prevent the rent-seeking institutions of the global financial market (inspired by the influential ideology of the Washington Consensus and the corresponding policies of the International Monetary Fund and the World Bank in the 1990s) from trying to implement radical changes in various social policy fields. The World Bank indeed was seen as the major agenda-setting actor in economic and social policy making in the region (Orenstein and Haas 2003; Ferge 2001).⁵

⁴ Ferge, Z. (2001) ‘Welfare and ‘ill-fare’ systems in Central-Eastern Europe’, in R. Sykes, B. Palier and P. Prior (eds) *Globalization and European Welfare States*, Basingstoke: Palgrave, pp. 127-152.

⁵ Orenstein, M.A. and Haas, M.R. (2003) *Globalization and the Development of Welfare States in Postcommunist Europe*, MA: Harvard University, J.F. Kennedy School of Government; Ferge, *op.cit.*

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What has the specific impact of this interplay of influences been on the social policy formation in the Czech Republic?

Pension reform. After minor changes to old age pension legislation in the early 1990s, a significant legislative change occurred in the framework of the compulsory structure of social insurance with the passing of a new law on old age pensions in 1995. An increase in the statutory retirement age limit was approved, to be introduced incrementally until 2007. The statutory retirement age for women, originally 53-57, was raised to 57-61 (depending on the number of children), while for men it increased from 60 to 62. The law on base pension insurance conceives the old-age pension as twofold: one component is a fixed amount paid to all and the other component depends on the number of years worked and the working income received. The law is built on the principle of substantial redistribution of accumulated finances to persons with a lower level of earnings. Old age pensions for persons with higher working incomes are affected by a regressively acting calculation formula.

Since 1995 a public discussion has taken place about the reform of the entire concept of the old-age pension system. It was initiated by experts from international financial institutions, i.e. the International Monetary Fund and the World Bank, which strongly recommended that the country opt for compulsory private co-insurance. This new type of old-age insurance would complement the pay-as-you-go public scheme that would gradually lose its importance in the total amount of redistributed resources. These institutions argued that this change was inevitable, due to demographic trends (aging of the population) and the demand for investment in the national economy that would be satisfied by the newly established and privately run for-profit pension funds. By contrast to Poland, Hungary, and (recently) Slovakia, which introduced this model, the Czech Republic resisted the pressure. Two main factors can explain this significant difference:

- (1) The country was not in as deep a fiscal crisis as other Central and Eastern European countries and was less dependent on loans from these organisations.
- (2) There were strong political opponents of this idea, namely the consecutive Social Democrat-led governments and the trade unions that stressed the risks of such a reform, due to the fragility of financial markets and institutions and the huge demand for additional financial inputs within the following two decades.

A special government task force composed of representatives of the whole spectrum of political parties, experts and civil servants in 2005-2006 prepared a

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draft of the principles of pension reform. Nevertheless, Parliament did not approve the document. Czech pension reform is at a halt again, with little prospect to see a political consensus about its concept and content due to the deepening polarization of the political scene before and after general election held in June 2006.

Active and passive labour market policies. The Employment Act came into force at the start of 1991. The state employment policy, in accordance with this Act, is geared towards balancing labour supply and demand, productively using the workforce resources, and securing the rights of citizens to employment. These rights are interpreted as those of people who want and are able to work and are actively seeking employment. These people have the right to have work brokered for them in suitable positions, the right to re-qualification (as needed) for such work, and to material security before starting a job and after losing employment. By 1990 a network of regional Labour Offices was created for administering state employment policy in the regions.

The relevance of the EU as a partner in employment policy making became visible only with the innovation of domestic employment policy making, which started with the annual preparation and implementation of the National Employment Action Plans, guided by the European Employment Strategy at the end of the 1990s (Ministry of Labour and Social Affairs 2004a).⁶ Inspired by and consulted on with the Commission (in applying various schemes that were effective in other countries), this EU activity represents an added value — even if the Czech Republic, along with other MSs, still faces an unacceptably high level of unemployment. Nor is the state of preparation and implementation of the national documents' standards advanced: poorly defined goals and responsibilities, lack of programme evaluation, poor inter-sectoral co-ordination, and missing links to budgetary resources leave room for further improvements.⁷

Social inclusion. In 2002 the European Commission asked all the governments of the candidate countries to prepare Joint Inclusion Memoranda (JIM) to identify key problems and policy measures for combating poverty and social exclusion. The agenda of social inclusion was formally set with the preparation and approval of this document by the representatives of the European Commission and the Czech government in 2004 (Ministry of Labour and Social Affairs 2004b).⁸

⁶ Ministry of Labour and Social Affairs (2004a) National Employment Action Plan 2004-2006, Prague: Ministry of Labour and Social Affairs.

⁷ Jabůrková, M. and Mátl, O. (2006) 'Evropská strategie zaměstnanosti a dobrá veřejná správa v kontextu víceúrovňového vládnutí' (European Employment Strategy and good public administration in the context of multi-level governance, in Czech), *Research Paper*, Centre for Social and Economic Strategies, Praha.

⁸ Ministry of Labour and Social Affairs (2004b) *Joint Inclusion Memorandum*. Prague: Ministry of Labour and Social Affairs. Retrieved 19.3. 2007 from <http://www.mpsv.cz/files/clanky/2059/memo.pdf>.

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The preparation and approval of the NAP of Social Inclusion 2004-2006 followed suit (Ministry of Labour and Social Affairs 2005a).⁹ This document sums up other valid and prepared policies, action plans, strategies, programmes and governmental decrees relevant to social inclusion. The weakness in the document is the lack of explicit goals, a poorly defined responsibility for implementation, and missing links to the budgetary process (Potůček 2007; Atkinson, Cantillon, Marlier and Nolan 2005).¹⁰ Significantly, the Ministry of Finance ignored the whole preparatory process

Family policy. The government articulated and approved of an explicit family policy only in 2005 (Ministry of Labour and Social Affairs 2005b).¹¹ Its stimuli were manifold: a chronically low fertility rate (about 1.2), ideological factors (Christian and Social Democrats in power as government coalition partners), and the EU programmatic and political initiatives. Domestic factors, however, were decisive.

Health policy. The Bismarck legacy shaped the reform of the Czech health services after 1989. Despite good reasons for the transformation of the over-institutionalized state-owned communist health care system into a more flexible, National Health Service-like one, professionals and the older general public overwhelmingly preferred the system of compulsory health insurance financed by employees, employers, and the state. The decentralisation of health care, the establishment of public Health Insurance Funds, the privatisation of most practitioners' facilities and some (smaller) hospitals, and the modernisation and improvement of care delivery followed suit. The EU's impact on the progress of this reform was very limited.

Genuine national programmatic initiative. An interesting example of the original 'national initiative' was *The Social Doctrine of the Czech Republic* (2002).¹² Its aim was to build a broad national consensus on the orientation, goals, priorities

⁹ Ministry of Labour and Social Affairs (2005a) *National Action Plan on Social Inclusion 2004-2006*, Prague: Ministry of Labour and Social Affairs. Retrieved 12.12. 2006 from http://www.mpsv.cz/files/clanky/1103/NAPSI_eng.pdf.

¹⁰ Potůček, M. (2007) Czech National Action Plan on Social Inclusion 2004-2006: Did it Matter? Paper submitted to the conference "Changing European Employment and Welfare Regimes. The Impact of the Open Method of Coordination on National Labour Market and Welfare Reforms". University of Bamberg, February 23 and 24, 2007. Retrieved 19.3. 2007 from <http://martinpotucek.com>; Atkinson, A.B. & B. Cantillon & E. Marlier & B. Nolan (2005) *Taking forward the EU Social Inclusion Process*, The Independent Report commissioned by the Luxemburg Presidency of the Council of the European Union. Retrieved 19.3. 2007 from http://www.ceps.lu/eu2005_lu/report/final_report.pdf; cz.

¹¹ Ministry of Labour and Social Affairs (2005b) *Koncepce rodinné politiky*, (The Family Policy Conception, in Czech), Praha: Ministerstvo práce a sociálních věcí.

¹² (2002) 'Sociální doktrína České republiky' (Social Doctrine of the Czech Republic, in Czech), *Sociální politika*, vol. 28, No. 1, pp. 7-11. Retrieved in English 12.12. 2006 from www.uni-konstanz.de/potucek/.

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and corresponding instruments of Czech social policy. Five preparatory conferences in 1998-2000 constituted a 'joint venture' of the academic community concentrated around the non-profit Socioklub, the Ministry of Labour and Social Affairs and the Senate (the upper house of the Czech Parliament).

The document — the work of a group of experts from various fields and political affiliations — was mentioned in the coalition agreement statement of political parties in power in July 2002 as the starting point for the further development of government social policy and its priorities and approaches until 2006. Nevertheless, until its resignation in 2004, the government failed to find sufficient capacity and motivation for consequent steps: real social policy decisions stemmed mostly from either urgent problems or strong demands from various pressure groups.

Summing up. The EU's role in shaping domestic social policies should not be overestimated. The obvious discrepancy between the Copenhagen Criteria of accession (covering a very limited part of the social welfare agenda and installed in 1993) and the Lisbon Strategy (stretched as an explicit programme for the candidate countries as late as 2002 and politically and administratively executed only since 2004) opened considerable space for other, more active and influential international actors, i.e. the World Bank and International Monetary Fund led by the neoliberal ideology of the Washington Consensus of the 1990s (Potůček 2004).¹³ The situation has been slowly changing from the beginning of this century: the EU has helped put social policy issues higher on the political agenda, with institution building and the transfer of skills and money from the old MSs.

National responses to EU initiatives

As centre-left governments have been in power since 1998, the reception and reflection of EU-related initiatives associated with national social policy were favourable in principle. Problems in communication, co-operation and reception have resulted chiefly from a shortage or lack of experience on the part of civil servants and other actors in pursuing public policies in general and EU policies in particular. Another systemic feature was the rather poor involvement of civil society in these processes: bureaucrats at the central level of government stage-managed the scene.

¹³ Potůček, M. (2004) 'Accession and social policy - The case of the Czech Republic', *Journal of European Social Policy*, vol 14, no 3, pp 253-66.

The Lisbon Strategy

As previously mentioned, the Lisbon Strategy, developed under the auspices of the older MSs, had no relevance to the accession process. Nevertheless, between 2002 and 2004 it inspired the creation of national political programmes. A new coalition government under Prime Minister Vladimír Špidla, leader of the Czech Social Democratic Party, came to power in July 2002. The coalition agreement and the new government's declaration comprised all the Lisbon Strategy goals. The office of the government's department for European integration (*Odbor pro evropskou integraci*), which had existed since 1998, was re-named the Department for EU issues (*Odbor pro záležitosti EU*) in May 2003. Together with the Inter-ministerial Commission for the Implementation of the Lisbon Strategy Goals (*Meziresortní komise Úřadu vlády ČR pro naplňování cílů Lisabonské strategie*) it supervises its implementation in the Czech Republic.

The original Lisbon Strategy was amended at the Gothenburg Summit in 2001, conceptualizing sustainable development as consisting of three pillars: economic, social and environmental. The Czech government approved a Strategy of Sustainable Development in 2004 (Úřad vlády ČR 2004).¹⁴ Following a government crisis in 2004, Vladimír Špidla resigned. His successor, Stanislav Gross, installed a new deputy Prime Minister for the economy, Martin Jahn. One of his tasks was to prepare a Strategy of Economic Growth (Úřad vlády ČR 2005)¹⁵ and National Reform Programme (NRP) 2005-2008 (2005).¹⁶ Both documents were approved in 2005 and submitted to the European Commission. Simultaneously, the new European Commission redefined the Lisbon Strategy by prioritizing economic growth, education, research and development, and fighting unemployment. Significantly, the Czech National Lisbon Programme consists of three parts: macroeconomic (notably continuing public finances reform), microeconomic (measures strengthening and increasing competitiveness) and employment (labour market flexibility, the inclusion in the labour market, and education). Thus the 2005 programmatic shift at the EU level found a favourable response in the Czech Republic.

¹⁴ Office of the Government, Czech Republic (2004) Strategy of sustainable development. Prague: Office of the Government, Czech Republic. Retrieved 19.3. 2007 from <http://www.ochranaprirody.cz/res/data/068/010027.pdf>

¹⁵Office of the Government, Czech Republic (2005) Strategy of economic growth.,Prague: Office of the Government.

¹⁶Office of the Government, Czech Republic (2005) National Reform Programme 2005-2008. Prague: Office of the Government.

Retrieved 19.3. 2007 from http://www.vlada.cz/assets/cs/eu/oeu/lisabon1/ls_a_cr/npr_cr/national_reform_programme_en.pdf

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The Czech scholarly community has discussed the nature and implementation potential of the Lisbon Strategy in general and in the Czech Republic in particular. Some economists challenged the inclusion of social cohesion, environmental goals and sustainable development concept as such. Even scholars, who in principle agreed with the structure of the Lisbon Strategy goals and the usefulness of such a programmatic effort, have found it quite difficult to see it as a realistic document. They question its ambitious endeavour to make the EU the most competitive and dynamic knowledge-based economy in the world by 2010.

Social Policy Agenda

No comprehensive Czech national policy has been inspired by the new EU Social Agenda. Nevertheless, piecemeal progress on the majority of its issues is apparent:

- ◆ The government has established a cross-party task force to simulate the consequences of alternative pension reform options and thus contribute to rational discussion among representatives of different ideological views.
- ◆ The government prepared a new Labour Code Act, approved by Parliament in 2006. This implements all the traditional core principles of ensuring the balance of power between employees and employers.
- ◆ The tripartite body has matured and gained legitimacy and its relatively smooth functioning has resulted in minimal strikes and other forms of open protest.
- ◆ The government has discussed gender equality and taken new approaches to close the gender gap in job opportunities, wages and other living conditions.
- ◆ The government formulated a new Conception of Family Policy with the aim of strengthening the position of families, especially those with children, and encouraging young people to become parents (Ministry of Labour and Social Affairs 2005b).
- ◆ Other partial agendas (e.g. the broad issue of social inclusion) were considered and realized (as mentioned through this chapter).

Open method of Co-ordination

The Ministry of Labour and Social Affairs answered the questionnaire about the open method of co-operation (OMC) in June 2005 (Ministry of Labour and Social Affairs 2005c).¹⁷ It saw the added value of its application to social protection in the increased visibility of this issue among interested actors, i.e. non-profit

¹⁷ Ministry of Labour and Social Affairs (2005c) *Questionnaire for the evaluation of the Open Method of Coordination in the area of social protection for the preparation of the streamlined process*, Prague: Ministry of Labour and Social Affairs. Internal document.

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organisations involved in the delivery of care and advocacy. Nonetheless, the general public was not familiar with the OMC.

In terms of technique and procedure, the Czech Republic has had no problems applying the OMC. The government used it several times when preparing National Employment Action Plans, the first NAP of Social Inclusion, etc. The serious problem lies not with formal application but with the administrative and political context in which it is being applied. To cut a long story short:

- (1) The Czech public administration does not possess specific organisational structures with the capacity to deal with strategic issues;
- (2) Czech civil servants are not trained and experienced in dealing with strategic issues in their professional lives;
- (3) Czech politicians in general do not appreciate the importance of strategic thinking and decision-making for the realisation of their political missions.

As a result, the real impact of the OMC in national governance has fallen dramatically short of its potential influence. In other words, operative and tactical tasks, short-term interests, lack of time and professional blindness severely limit OMC effects. At the same time, clear positive effects are observable in the raising of the level of civil servants' general awareness about the OMC.

Demographic change

The national programme on preparation for aging for 2003-2007 was approved by the Czech government as early as on May 2002. The Green Paper on 'Confronting demographic change: a new solidarity between the generations' is very topical for the Czech Republic, which has one of the lowest birth rates in Europe and a rapidly ageing population. The Minister of Labour and Social Affairs, Zdeněk Škromach, welcomed it at the Conference 'Confronting demographic change: a new solidarity between the generations' (Brussels, 11-12 July 2005), pointing out that the Czech government sees the family as a legitimate subject of public interest.

The Contribution of the Czech Republic to this document was prepared by the Ministry of Labour and Social Affairs and the Ministry of Health, submitted for public discussion, and finally approved by the Committee for the EU (*Výbor pro EU*)¹⁸ and sent to the European Commission by the end of 2005. The upper chamber of the Czech Parliament, the Senate, held a public hearing on the EU

¹⁸ *Výbor pro EU* was the main coordinative body of the Czech public administration toward the EU until general elections in June 2006. Its Chairman was the Minister of Foreign Affairs.

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Green Paper on demographic change on 29 June 2005 and passed a resolution on 6 October 2005. Composed mostly of right-wing political parties, the Senate (the upper House of the Czech parliament) has condemned the Open Method of Coordination and all other non-legislative procedures that the EU applies in the MSs, and rejected any state intervention in the privacy of family life (e.g. the division of household chores). The Green Paper positively influenced the preparation and approval of the Conception of Family Policy and the activities of the task force for pension reform.

Corporate social responsibility

An official government position on CSR does not exist. Nonetheless, the Ministries of Industry and Trade, Environment, and Finance have been partly engaged in this agenda. An important authority is the National Contact Point at the Ministry of Finance for the implementation of the OECD guideline on multinational corporations. It operates on the tripartite principle, checking the behaviour of multinationals in the field of employment and labour law. The Czech government organized a seminar on CSR for business community representatives in December 2004. Institutional frameworks and programme 5 activities in line with the aims of CSR comprise, among others, the government Council for Sustainable Development, Strategy of Sustainable Development, the Forum for Sustainable Development — programmes in support of small and medium-size enterprises.

The government has implemented several other programmes that directly or indirectly motivate corporations to adhere to CSR principles: Eco-Management and Audit Scheme, Environmental Management Systems, Ecolabelling, Responsible Care, Energy Performance Contracting, Energy Contracting, etc. A few very large enterprises such as Bosch, Siemens, Telecom) that have taken this agenda seriously and filed annual reports on their achievements.

Services of general interest

The position of the Czech government toward the White Paper on services of general interest was prepared by the Ministry of Labour and Social Affairs (2004c).¹⁹ It stresses the specific relevance of this category in social and health care. These types of services call for a separated regulatory framework. Thus, the Czech position does not favour the idea of approving the framework directive on

¹⁹ Ministry of Labour and Social Affairs (2004c) *Stanovisko MPSV. Bílá kniha o službách v obecném zájmu*. (The MLSA Position. White book on services in general interest, in Czech.), Prague: Ministry of Labour and Social Affairs.

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services of general interest. Instead, the government wants attention paid to the issue of mutual compatibility of EU policies given different conditions in individual MSs. This position favours the independent solution in the sphere of social and health services of general interest.

The Ministry of Labour and Social Affairs (n.d.) has also answered the EU questionnaire on social services of general interest.²⁰ This response casts doubt on the concept of services of general interest arguing that different interpretations of its meaning exist in several EU official documents. The document suggests that as a prerequisite of substantive policy debate, a further discussion be held on the concept and purposes of its application. It concludes that the prevailing majority of social services are non-economic. Meanwhile, new legislation (the Social Service Act, the Act on Assistance in Material Need, the Act on the Subsistence and Existential Minimum) substantially updated the regulatory framework of delivering social services in the country, to make their legal environment compatible with the profound economic and political changes occurring from the beginning of the transition up to 2006.

The transformation of social services should continue through increasing their quality, prioritizing services, enabling clients to stay in their natural environment, matching demand and supply, continuously educating social workers, supporting the services delivered by NGOs, and strengthening the partnership of regions, municipalities, and NGOs in regional and communal planning and policy implementation. Equal access to public finances should be guaranteed to all suppliers that follow approved standards of social services delivery.

Proposal on services directive

This regulation has been the focus of attention for the Czech authorities. The unit responsible for this agenda is the Ministry of Trade and Industry. The Czech official position is much closer to the original proposal of the European Commission, and quite critical of the amended and changed version that the European Parliament approved on 16 February 2006.

The Czech government's position on the parliamentary version is a preference for:

1. the broadest spectrum of services;

²⁰ Ministry of Labour and Social Affairs (not dated) *Sociální služby v obecném zájmu – dotazník* (Social services in general interest – questionnaire, in Czech), Prague: Ministry of Labour and Social Affairs. Internal document.

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2. the broadest and clearest definition of conditions for cross-border provision of services in Article 16;
3. the easing of the administrative burden associated with across-border movement of workers (2006).²¹

Social partners expressed their views in letters to the Czech Prime Minister: the Association of Industry and Trade supported the original version of the Commission, whereas the Bohemian-Moravian Chamber of Trade Unions endorsed the amended version of the European Parliament.

According to the Deputy Minister of Trade and Industry, Martin Tlapa, the Czech Republic (along with the Netherlands) headed a group of 15-16 governments that did not see the version approved by the European Parliament as inevitably final and that were trying to change the path of development at the March 2006 Vienna Summit in March 2006. They failed, however, as the European Council in Vienna — with the final approval of the then Czech Prime Minister Jiří Paroubek — endorsed the version approved by the European Parliament.

European Economic and Monetary Union

The Czech government approved the joint paper prepared by the Ministries of Finance and Industry and Trade, and the Czech National Bank (2005) on the progress towards joining the European Monetary Union (EMU) on 23 November 2005.²² According to the paper, the Czech Republic has no problem following the criteria of price stability, national currency stability, and stability of long-term interest rates. Nevertheless, the sensitive issue of public finance sustainability persists. General government debt is below the upper ceiling of 60%, and has fluctuated at about 30% in 2003-2005 (30.5% of GDP in 2005). According to government, debt should be kept below 40%. In 2004 and 2005, the public budget deficit remained slightly below the 3% threshold (2.86% in 2004, 2.59% in 2005). The Czech government declared its determination to be able to join the Eurozone by 2010.²³ In view of positive economic developments, the target seems realistic.

²¹ Ministry of Industry and Trade (2006) *Pozice ČR k výsledkům prvního čtení návrhu směrnice o službách v Evropském parlamentu*. (The bargaining position of the Czech Republic toward the first reading of the Directive on Services in the European parliament, in Czech). Prague: Ministry of Industry and Trade. Internal document.

²² Ministries of Finance and Industry and Trade, and the Czech National Bank (2005) *Vyhodnocení plnění maastrichtských kritérií a stupně ekonomické sladěnosti ČR s eurozónou* (The evaluation of the Maastricht convergence criteria fulfilment and the level of economic harmonization of the Czech Republic with the Eurozone, in Czech), joint paper of the Ministry of Finance, Ministry of Industry and Trade and the Czech National Bank approved by the Czech government on 23 November 2005, Prague.

²³ As the Czech economy has been booming, the public budgets deficit dropped below 3% in 2005. The forecast of the Czech National Bank speaks about 2.8% in 2007.

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Nevertheless, social scientists are debating on whether this move will be productive, as some nationally sensitive and effective economic and social policy instruments will be lost by a country that has not yet fully recovered from its Communist legacy.

Not surprisingly, Václav Klaus belongs to the camp of sceptics. He formulated, in a series of questions, his own set of criteria: Klaus' (or českolipská) ones:²⁴

- ◆ Have the European countries within the Eurozone profited from its introduction?
- ◆ Is the level of the convergence of the Czech economy with the Eurozone economy sufficient in terms of various economic parameters, namely prices and salaries?
- ◆ Do we wish to have the monetary union as the pushing factor (or even an accelerator) of further European integration processes? (Klaus 2006)

Václav Klaus is certain that the Eurozone project is primarily political – with the purpose of pushing Europe nearer to tax, fiscal and political union (Klaus 2003).²⁵ Thus, the Czech Republic should first answer the question of whether it would be in its interest to participate in this absolutist unification project, to help create the European super state, or whether it would be better to co-conceptualize it as the community of states freely collaborating on the basis of intergovernmentalism.

Enlargement

The Czech authorities are generally well aware of the positive impact of the implementation of the core EU principles (and goals) of enlargement on socio-economic development of a country extremely dependent on foreign trade and foreign investment, technology, and experience, and neighbored exclusively by MSs. Thus the Czech government often encounters delays from some older MSs in the full application of these principles, typically in the free movement of labour. This reaction is paradoxical, as the Czech Republic has for several years been a net importer of labour from other MSs. Even Czech politicians who are genuine supporters of Europeanisation have found it difficult to sell this paradox at home.

²⁴ Klaus, V. (2006) *Klausova kritéria pro přijetí (či nepřijetí) společné evropské měny* (Klaus' criteria for acceptance (or refusal) of the common European currency, in Czech), Prague, 20 January. Retrived 12.12. 2006 from http://hrad.cz/cms/cz/prezident_cr/klaus_projevy/3175.shtml.

²⁵ Klaus, V. (2003) 'The Future of Euro: A View of a Concerned Outsider', Lecture, 20 November 2003, Washington, DC: CATO Institute.

Conclusions

The institutions of the enlarged EU have the potential to become the main if not the only – institutional umbrella preventing further widening of the gap between those who work and those who are unemployed, those who have and those who have not, those included and those excluded in the MSs. The social dimension of the Lisbon Strategy 2000 is the blueprint – even if somewhat virtual – for the future.

The time delay between the setting of the Copenhagen criteria in 1993 (with their clear priority to economic, political and legal conditions of accession) and the Lisbon Strategy (as presented to the accession countries in 2002, and becoming effective as they joined the EU in 2004, with an apparent shift of priorities toward employment, education and social cohesion as the necessary pre-conditions of economic success) created a sharp socio-political tension. The new MSs entered the EU with their health, social, and employment policies not well enough developed to cope with the legitimate demands of this strategic policy document. The need to solve this discrepancy is urgent.

Nevertheless, the OMC proved to be too weak an instrument when confronted with the enormous public tasks of high employment, capacity building in health and social services, alleviation of poverty, and strengthening social cohesion in the new MSs. In addition, the new Lisbon Agenda 2005-2008 *de facto* considerably weakened the social pillar of the original 2000 Lisbon Strategy.

National initiatives within the new MSs would be an added value to this EU-centred effort. A document called *The Social Doctrine of the Czech Republic*, developed for this purpose by a group of scholars in the Czech Republic, might inspire other countries, even though it failed to directly influence social policy-making in the country (2002, provided earlier).²⁶

Thorough analytical studies of the threats, opportunities and developmental potentials of the EU and its MSs are needed for assisting strategic political decisions on the structural developmental priorities for the entire EU. The development of the ESM as an instrument of improving human and social conditions should be an integral part of that effort.

²⁶ ‘Sociální doktrína České republiky’ (Social Doctrine of the Czech Republic, in Czech), *Sociální politika*, vol. 28, No. 1, pp. 7-11. Retrieved in English 12.12. 2006 from www.uni-konstanz.de/potucek/.