

Table 12.A.6 Changes in the generosity of SA and UA

Year of introduction	Amount	SA	Duration
1992	UA	SA	UA, SA – unlimited
1995 July	80% of the minimum pension (top up to own income)	According to need, up to minimum widow's pension	UA – max. 2 years
1997		70% of the minimum pension (top up to own income)	SA – unlimited, annual review UA – max. 2 years
2000	70% of the minimum pension (top up to own income)		SA – unlimited, annual review
2006 May	Top up of equivalent income to 90% of minimum pension		Unlimited with annual review of entitlement
2007	Top up of equivalent income to 90% of minimum pension, but maximum the minimum wage		
2009	Flat rate = minimum pension (about 39% of minimum wage)	Top up of equivalent income to 90% of minimum pension, but maximum the net minimum wage	UA, SA – Unlimited with review every 2 years

Source: Gábos (1996), Nagy (2002), and Frey (2010).

Appendix 12.B Major reform episodes in Hungary (1989–2009)

1989–92	easing entitlement conditions in all elements of the welfare system: unemployment insurance, means-tested support for the unemployed, incapacity benefits, early pensions, paid parental leave
1991–2000	recurring reductions in the generosity of UI in 1991–3, 1997, and 2000
1996–7	reduction in generosity in most welfare benefits (UI, early pension, and parental leave), 1998 reduction in entitlement to incapacity benefit and rise in pensionable age, as part of austerity package
2000	widening entitlement (prior work history condition) and reducing generosity in unemployment benefits (both UI and UA), strengthening work test, (but increase in both entitlement and generosity in parental leave), 2001–2: doubling the minimum wage
2006–8	reducing entitlement to insurance benefits (unemployment, incapacity, early pension, old-age pension), increasing both entitlement and generosity of means-tested UA, strengthening work test for UA and incapacity benefit
2009	reducing generosity and strengthening work test of UA

The Czech Republic: activation, diversification, and marginalization¹

Tomáš Sirovátka and Ondřej Hora

13.1 INTRODUCTION

This chapter analyses the development of the social protection of the unemployed in the Czech Republic (and the former Czechoslovakia) since the early 1990s. From the perspective of the framework for analysis that informs this volume, the Czech case presents a number of specificities. With the exception of the closure of some exit routes for elderly workers, there is little evidence of the blurring of the boundaries between the risk of unemployment and other forms of working-age benefit dependency, or of any convergence in eligibility and entitlement rules between unemployment protection and other schemes for non-working populations. Nor is there any trend to benefit homogenization; on the contrary, in the Czech case there is evidence of growing diversification in benefit rights, in several respects: between unemployment insurance (UI) and social assistance (SA) concerning replacement rates and entitlement conditions, and in the approach to different subcategories of the unemployed (e.g. long-term and short-term claimants, the youth). However, a strong trend to activation can be seen in the Czech case, both in schemes for the unemployed and in SA.¹

In more concrete terms, in the early 1990s the first post-communist Czech governments introduced a two-tiered benefit system, comprising UI and SA. The system was quite encompassing, and though it was not overly generous, it provided an acceptable living standard. Activation elements were originally neglected in both schemes. The UI and SA schemes would later converge, because of rather modest standards in UI and the development of SA into a relatively generous safety net. Since the late 1990s, however, changes in the benefit system have moved in the opposite direction: towards a strengthening of insider–outsider differentiation and the movement of some groups out of the scope of unemployment protection altogether. Over the course of the 2000s strong activation

¹ This study was written with the support of the Ministry of Education of the Czech Republic (MSM 0021622408 ‘Social Reproduction and Social Integration’).

elements have also been incorporated, alongside cuts in benefit entitlements for marginal groups like long-term SA claimants.

The chapter commences by describing the economic and labour market conditions that accompanied the transition to a market economy at the end of the communist era, and the policy measures put in place to treat the immediate social consequences of massive structural change. The subsequent sections then describe the major changes within unemployment protection between 1990 and 2010, and develop the analysis of Czech trends in relation to the analytical framework of this volume. The final part of the chapter discusses the main forces behind the Czech trajectory, emphasizing the importance of three factors in particular: the timing of the transformation process, the political imperative of blame avoidance in the context of the transformation, and finally the economic constraints which have framed the choices of Czech policymakers in this area.

13.2 ECONOMIC AND POLICY CONTEXT FROM THE EARLY 1990s: SLOW TRANSFORMATION, COMPREHENSIVE PROTECTION

In the communist era the Czech economy was oriented strongly towards heavy industry, while services were underdeveloped. Women nonetheless already participated extensively in the labour market, which was in keeping with the regime's appeal to gender equality (Hašková, 2007). Wages were set by the state as nearly equal (small differences between low-skilled and high-skilled professions), with advantages given to specific manual professions (e.g. in mining, metallurgy, mass agriculture). There was a legislative obligation to work, while job positions were assigned by a specific work allocation system. Most people worked in the same firm for lengthy periods of time, or even for all their productive lives. It was not common to be without work for more than a short time period, and hence there was no necessity for an unemployment protection system. For ideological reasons and because of the availability and enforcement of work, poverty was not recognized as a relevant social problem (Sirovátka, 2009).

The situation changed dramatically after the 'Velvet revolution' in November 1989. The conditions of the emerging market economy, privatization, liberalization of prices, the new phenomenon of unemployment, and the necessity to reallocate part of the labour force from inefficient branches of the industry implied that about one-half of the working population changed their jobs between 1990 and 1996; many of them found jobs in the expanding service sector (MLSA, 1999). The transformation also had several economic consequences such as falling GDP and real wages. However, the transformation strategy in the Czech Republic until 1997 was somewhat different from the other post-communist countries, given the emphasis on preservation of employment. As a result of this, it was mainly the least qualified, working pensioners, and Roma minority workers² who were made redundant following the initial economic shock (Možný, 2002; Vanhuyse, 2006).

² The Roma constituted 13.1 per cent of the unemployed in June 1991.

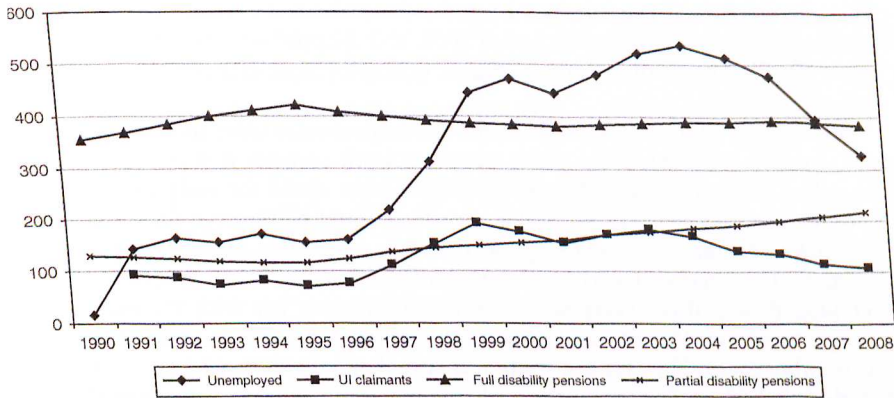


Figure 13.1. Unemployment, recipients of unemployment benefits and disability pensions

Note: Monthly average numbers of unemployed (claimants) and all invalidity pensions (including pensions paid to foreign countries) paid in December of given year.

Source: Unemployment (MLSA, 2009b), disability pensions (MLSA, 2003, 2006, 2008, 2009a).

In contrast to pessimistic expectations and unlike other post-socialist countries, the Czech unemployment rate stabilized at the level of approximately 3–4 per cent in the first half of the 1990s. The share of long-term unemployed was merely 16 per cent of the unemployment stock (Mareš et al., 2003). This meant that the Czech Republic experienced one of the lowest unemployment rates in Europe at the time, despite undergoing a process of profound economic restructuring (see Statistical Annex, Table A.5 and Figure 13.1).

There were several reasons for this: the delayed transformation of the economy, the development of private entrepreneurship, a problematic privatization of state property including firms; and the role of the so-called ‘bank socialism’, which was characterized by easy access to the bank loans (sometimes based upon personal relationships) and very loose conditions of pay morale: banks with strong state share tolerated indebtedness of the companies.

An UI system was implemented with originally generous benefit levels in 1990–1, but in 1992 benefit levels were rapidly scaled back. Since the government’s overall strategy was to protect jobs, the pressures for improving benefits were feeble and the system remained unchanged. At the end of 1991 an SA system was also established, which was relevant for the unemployed since UI benefits were provided only for a period of six months. In order to alleviate the risks of poverty the SA scheme was relatively generous at first, but became more modest over the following years.

The second main period of the development of the labour market, from 1998 to 2005, overlaps with the governments led by Czech Social Democratic Party (‘Česká strana sociálně demokratická’/ČSSD), which won parliamentary elections in 1998 and 2002 and remained in power until 2006. This period was characterized by the privatization of banks, inflows of foreign capital, and more intensive restructuring, including bankruptcies and mass redundancies in the traditional branches of industry (e.g. mining, shoemaking, glass, and textile industry).

The unemployment rate increased rapidly from about 3 per cent at the end of 1996 to about 9 per cent by the end of 2000, and dropped only slightly thereafter. However, in spite of the relatively higher unemployment rate the economy was growing strongly.

The changes in the labour market affected in particular older (or even middle-aged) people with relatively stable previous work careers: if they were made redundant they rarely found a new job, and often opted for early exit. In the 1990s, early exit was easily accessible: pensions could be received for up to two years before regular retirement age with only a temporary penalty on pension (1 per cent reduction for each three months of earlier exit) in case of the unemployed, and three years before regular retirement age with the enduring penalty on pension (0.6 per cent of pension less for each three months of earlier exit) in other cases. The first exit route was closed only in 2001, while the penalty on early exit in the other case was simply increased to 0.9 per cent for each three months of earlier exit.

Between 2005 and 2007, the Czech Republic experienced strong economic growth (between 6–7 per cent of GDP yearly) and unemployment dropped from about 9 per cent to slightly more than 6 per cent and continued to decline even in 2008. Long-term unemployment declined as well. The economic crisis has become apparent only at the very end of 2008, and in 2009 GDP declined by more than 4 per cent and unemployment climbed quickly to above 9 per cent. After 2007 a centre-right government was in power, prioritizing reductions in public spending, a strategy that was continued under the ‘administrative government’ in 2009 and the government formed following elections in the middle of 2010.

13.3 UNEMPLOYMENT PROTECTION FROM THE EARLY 1990s TO 2010

When looking at the recent development of unemployment protection in the Czech Republic, the period from 1990 to 2010 can be divided into three distinct phases of reform: an early stage of system development (1990–2), a period of relative stability (1993–2003), and a third stage (2004–9) of frequent reform changes,³ in which many measures implemented had little longer term viability.

At the beginning of the 1990s the former Czechoslovakia adopted a new system of ‘social safety net’, including unemployment protection, as part of the transformation to a market economy. From the beginning the main part of the social protection system dealing with the unemployed was in hands of Public Employment Services (PES), represented by two levels of governance: Central and Local Employment Offices. The functions of unemployment benefit administration, job mediation, and active labour market policies (ALMPs) were integrated within the PES, which was a section of Ministry of Labour and Social Affairs. While job mediation and ALMPs covered all the unemployed, after 1992 the benefits were

³ The Employment Act was for example changed more than thirty times between 2004 and 2009.

Table 13.1. The dynamics of unemployment protection systems

	Periods	Unemployment benefits	Social assistance benefits
1990–2	Initial period, creation of social safety net	Generous but soon rather modest	Generous, easily accessible
1993–2003	Transformation, soft economic conditions ('protest avoidance')	Modest, some improvements during slowdown	Continuous deterioration
2004–9	Accession into the EU, post-transformation	Modest Further improvements for regular workforce	Rather modest Strong reforms (conditionality, activation, cuts in benefits)

provided only for a short period of time (up to six months). It follows from this that for the large part of the unemployed population another part of the social protection system was highly relevant: social assistance (minimum income scheme), established in September 1991 as a means-tested assistance of the last resort. This scheme is in fact partly parallel to the UI scheme, as unemployment benefits may be topped up with SA if the level of income after unemployment benefit is below the living minimum of the household. In contrast to the UI scheme, SA is administered by municipalities, which are, however, in no way responsible for ALMP measures. This means that there is a dual system in terms of income protection (UI and SA), while job mediation and ALMPs are integrated within PES for all the unemployed, irrespective of whether they are UB or SA claimants. Nevertheless, later some minor activation programmes were imposed on municipalities as a part of activation of the SA claimants (see below).

13.3.1 Benefit entitlements

The UI system was established in 1990 by a government decree and redefined in February 1991 by the Employment Act 1/1991 Coll. ('Zákon o zaměstnanosti'). Since 1993, UI has been funded by employers' and employees' contributions under the control of Czech Social Security Administration ('Česká správa sociálního zabezpečení'). There are no tax subsidies to UI.

The basic characteristics of the original system were in some aspects similar to the system in Germany, which served as a model that time (see Table 13.2). This first benefit in 1990 was quite encompassing and generous, with a replacement rate 60 per cent of the previous income provided for one year for all previously employed, former students/school leavers, and mothers with children up to 3 years of age. A special benefit rate (90 per cent of previous income for the first six months) was paid to employees made redundant for 'structural reasons' (mass lay-offs) (Decree 195/1989 of the Federal Ministry of Labor and Social Affairs).

From February 1991 until the end of 1991 this special rate was changed to 65 per cent, and since August 1991 the maximum benefit level was applied at 1.5 times the minimum wage. Since social assistance was established only in September 1991, the twelve-month duration of unemployment benefits implemented in the original system was particularly important in preventing hardship among the unemployed.

Table 13.2. Basic parameters of the unemployment insurance and social assistance system in 1990 and in 2009

	Year 1990 [Decree of FMLSA 195/1989], and 1991 [Employment Act 1/991 Coll.],	Year 2009 [Employment Act 435/2004 Coll.]
<i>Basic characteristics of the unemployment insurance system</i>		
Distribution logic	Tax funded	Mandatory contribution based (social insurance)
Benefit logic	Replaces previous income at given rate	
Eligibility criteria	Registration at local employment office, 1 year of work in last 3 years (no waiting period)	
Basic benefit period	12 months/6 months since 1992	5 months standard rate (since 2009), longer for older workers
Level of the benefit	60% of income (but max of 2,400 Czechoslovak crowns after 6 months)	65% of net income for first 2 months, 50% for 3rd and 4th month, 45% for rest of benefit period
<i>Special rules related to demographic and economic status of the claimants (categories)</i>		
For school leavers	School leavers are entitled to benefits at fixed rates	School leavers are excluded (1 year of contributions required)
For older workers (above 50)	None	Older workers qualify for prolonged benefit duration since 2004: 8 months (when 50–55), 11 (when over 55 years)
For ALMP participants	70% (since 1991)	Benefit level set at 60% of previous net work income
For recipient made redundant (collective dismissals due to restructuring)	90% of previous income in 1990, 65% in 1991 (for first six months)	None
For recipients with no prior reference income	Fixed amount (all people were included)	0.11–0.15 gross average wage (see Table 13.3)
For repeatedly unemployed (with employment between unemployment spells)	None	Unemployed are eligible for a new benefit period after having worked for 6 months (since 1999), later 3 months (since 2004)
	Year 1991 [Acts No. 463/1991 and No. 482/1991 Coll.]	Year 2009 [Acts No. 110/2006 and 111/2006 Coll.]
<i>Basic characteristics of the social assistance system</i>		
Distribution logic	Tax funded, administered by municipalities	
Benefit logic	Living minimum provided to each person – it consists from the part for personal needs and part for needs of the household. The household's living minimum is the sum of living minimum of its individual members.	Living or existence minimum for personal needs.
Eligibility criteria	Means and income-tested	Special 'supplement for housing' (doplatek na bydlení) is now paid to cover all reasonable housing costs. Means and income-tested Young people living with parents excluded because of parents' incomes

Basic benefit period	Indefinite if other conditions are met	Indefinite, but only existence minimum after 6 months
Institutionally set level of the benefit (fixed rates)	1,200 CZK for single person	3,126 CZK for single person (increase is due to inflation)
<i>Special rules related to demographic and economic status of the claimants (categories)</i>		
People who cannot work for objective reasons (e.g. old age and disability pensioners, people over 65, parents of small children)	Living minimum, not required to look for work	Living minimum + 50% of difference between existence and living minimum, may be increased further to living minimum if specific conditions are met, not required to look for work
	Special benefits for people with heavy disabilities or elderly above 70 years (e.g. telephone, special aids for the handicapped)	dtto
People with special nutrition needs (diet)	600 CZK	650–1,800 CZK depending on the type of diet (since 2003)

Source: Authors, on the basis of laws and decrees included in LexData system.

After this initial phase of institutional establishment, benefit levels and entitlements were, however, successively reduced, something typical for many Central and Eastern European countries (Vodopivec et al., 2003). The most important change in this second phase of policy development in the UI system came into effect in January 1992, when the maximum benefit duration was shortened from twelve to six months and the benefit level was set at 60 per cent of previous net income for the first three months and 50 per cent for next three. Thereafter benefit rates were frequently lowered over time (see Table 13.3).

In 1991 an SA system (designed as a support scheme of last resort for all people without proper basic income – both for those ‘able-bodied’ and for older and severely handicapped people) was adopted in the Czech Republic. SA includes several kinds of regular and discretionary lump sum benefits, some of which are provided to specific groups or for specific purposes (e.g. benefits for heating to old people, or benefits for the school needs of children). The most important of these benefits is the repeated monthly benefit for people without other ‘sufficient’ earnings/incomes (see Table 13.2). Each person in a household has the right to a certain amount of the living minimum aimed to cover the personal needs set with respect to the age of the person. In addition, an amount covering ‘household needs’ (mainly housing costs) is provided to the household.

Until the 2000s, both UI and SA remained essentially unchanged. The only significant change in UI was as part of the 1997 austerity package of V. Klaus, who was Prime Minister in the centre-right government from 1993 to 1997. At this time, UI replacement rates were reduced to 50 per cent for the initial period and 40 per cent for the subsequent one (see Table 13.3). However, as a reaction to growing unemployment in the late 1990s, in 1999 the ceiling for UI benefit was raised from 1.5 to 2.5 times the living minimum (and 1.8–2.8 times the living

Table 13.3. Generosity of unemployment insurance (1990–2010)

Valid since	Basic rate ^a	Reduced rates	If in ALMP	If not employed before benefit	Set minimum/maximum UI amount	Average/maximum UI amount (CSK, CZK)
January 1990	60% of previous net earnings	(Max 2,400 CSK after 6 months)	Same as standard rate	Fixed amount (1,000 CSK)	Min 1,000 CSK/no ceiling,	No information/not defined
February 1991	60% first 6 months	50% subsequent 6 months		Fixed amount at rate of the living minimum	The living minimum no ceiling	1,562/not defined
May 1992	60% first 3 months	50% subsequent 3 months	70% in retraining course	← % of living minimum	No minimum/1.5 times more than the living minimum 1.8 times more for ALMP participants	1,351/2,400
December 1997	50% first 3 months	40% following 3 months	60% in retraining course	← % of living minimum	1.5 of living minimum, 1.8 for ALMP	2,534
October 1999					max 2.5 of living minimum,	2,529
October 2004		45% for rest of benefit period (3 months)			2.8 for ALMP	3,562/10,250
January 2007			60% when in retraining course (0.14 of GAW if not employed)	0.12 (first 3 months) and 0.11 (for rest of period) of GAW	0.58 of GAW, 0.65 in ALMP	4,830/11,389
January 2009	65% first 2 months	50% 3–4 month, 45% for the rest of benefit period (1, 4, or 7 months)	not employed)	0.15 (first 2 months), 0.12 (3–4 month), 0.11 (rest of period) of GAW	No minimum/0.58 of GAW, 0.65 in ALMP	5,853/13,307
November 2009 (never valid)	80% first 2 months	50% 3–4 month, 45% for the rest of benefit period (2, 5, or 8 months)	85% when in retraining course (0.14 of GAW if not employed)	0.15 (first 2 months), 0.12 (3–4 month), 0.11 (rest of period) of GAW	No minimum/0.58 of GAW, 0.85 in ALMP	5,853/13,307

January 2010	65% first 2 months	50% 3-4 month, 45% for the rest of benefit period (1, 4, or 7 months)	60% when in retraining course (0.14 of GAW if not employed)	0.15 (first 2 months), 0.12 (3-4 month), 0.11 (rest of period) of GAW	No minimum/ 0.58 of GAW ^b , 0.65 in ALMP	-/13,280
--------------	--------------------	---	---	---	---	----------

^aAverage monthly net wage in previous employment or income in previous entrepreneurship.

^bGAW = gross average wage in national economy in 1-3 quarter of previous year. GAW is announced by MLSA on basis of CZSO calculations.

minimum for ALMP participants) by the Social Democratic government elected in 1998. The other important changes in UI came into effect with the Employment Act 435/2004 Coll. in October 2004. This reform improved income support for the regular workforce, while restricting the access to the benefits for the marginal workforce. The UI benefit rate during the second three months was increased from 40 to 45 per cent of net income (in accordance with the demands of ILO treaty no. 168, which requires minimum unemployment benefit to be at least 45 per cent of net income). The benefit period of UI for workers older than 50 years of age was also extended to nine and twelve months for those with contribution periods of twenty-five and thirty years, respectively, not only to reflect an understanding that 'older people have much worse conditions for looking for jobs than younger people' (MLSA, 2004), but also to partially eliminate the penalties on early retirees that were implemented in 2001, when pension reductions for early retirement were increased (see above). On the other hand, in the same reform the entitlement to UI was restricted for people without sufficient previous employment and contribution periods. This measure affected mainly school leavers, who practically lost all entitlement to UI.

Similarly, important changes have been incorporated into SA in 2006, when the benefit covering housing costs was separated from the benefits covering the personal needs of the household's members and a new 'supplement for housing' benefit was established to cover full reasonable housing expenses. Most importantly, in parallel with the living minimum for personal needs provided to the unemployed who cooperated properly with the employment office, children, and elderly people over 65, the existence minimum (at lower rate of about two-thirds of living minimum) has been implemented for the unemployed who did not cooperate properly with the unemployment offices or for the claimants who did not fulfil other commitments like school attendance of children.

A number of changes were seen in UI towards the end of the first decade of the 2000s. Firstly, in September 2008 a reform was adopted shortening the maximum benefit entitlement period by one month, but improving replacement rates for the first two months (to 65 per cent). Regulations concerning older workers were unaffected. Then in March 2009 the centre-right government lost its fragile majority in parliament and resigned, which gave more influence to the opposition in the negotiations around the anti-crisis package being prepared in parliament.

When this was adopted in April, it included increases in UI benefits: the replacement rate was to be increased from 65 to 80 per cent in the first two months, and to 85 per cent in case of those participating in labour market training programmes. The period of benefit entitlement was also to be prolonged by one month, to six, nine, or twelve months, depending on age. However, the new non-political (administrative) government soon accepted the goal of diminishing the public budget deficit as its top priority, and these planned improvements to UI were cancelled in October 2009, just before they came into force.

13.3.2 Job-seeking criteria

Since the origins of UI in 1991, claimants have been required to actively seek work, to be capable and available for work, and to accept job offers recommended by the employment office (Vodopivec et al., 2003). The unemployed who in the last six months left a job without good reason more than once, or were made redundant for misconduct, were denied eligibility to UI benefits (see Appendix 13.A). The SA created in 1991 also included the standard means of the behavioural and family status control (see Appendix 13.A). The entitlement for the benefit provided in social need was not intended to be unconditional, but was meant to be based on an assessment of an individuals' situation, on which a decision about the most proper form of intervention would then be based (Federal Government of Czechoslovakia, 1991).

Important changes of benefit conditionality were initiated first within the UI scheme, but they were adopted relatively late, coming into force only with the new Employment Act in 2004. The explicit objective of these changes was to make people look for work more intensively. Most of the previous conditions remained in place, but they were supplemented with some new disqualifying conditions, notably a stricter definition of suitable work, which might now be temporary work. No reference was any longer made to an individuals' qualification level or family situation when considering whether a job offer is suitable. Failure to take up such offers could lead to removal from the employment office's register of claimants, being in which was a precondition for benefit entitlement. The unemployed could also be removed from the register if they did not cooperate with employment office or if they failed to fill the obligations detailed in their Individual Action Plan (IAP). At the same time, in an effort to promote incentives to work, earnings in temporary jobs were disregarded up to the level of 50 per cent of the national minimum wage when assessing unemployment benefit entitlements (Table 13.4).

Disqualification criteria in UI were further expanded in 2007. People who during the six months prior to registration were made redundant due to severe misbehaviour or violation of working rules, as stipulated in the Labour Code, were henceforth excluded from the employment office register, and illegal work was added to the reasons leading to disqualification. Under the new rules, the unemployed could furthermore only return to the register six months after their initial disqualification (Bukovjan, 2007).

Recently, the reforms in job-seeking criteria have continued both in UI and SA. In 2008 a strong new activation element was introduced within SA. After six

Table 13.4. Special rules for behaviour of benefit recipients in unemployment insurance and social assistance in 1990 and in 2009

	Year 1990 [Decree of FMLS A 195/1989], and 1991 [Employment Act 1/991 Coll.],	Year 2009 [Employment Act 435/2004 Coll.]
<i>Special rules for behaviour of UI claimants</i>		
Unemployment behaviour expectations and control	Unemployed are required to actively seek work	
Previous employment behaviour	Since 1991 people who are sacked for work dereliction or leave work 'on their own will' are denied benefits.	
Disregard on earnings for the unemployed entitled for the benefits	None	Disregard on earnings at level of half of minimum income since 2004 (about 4,000 CZK)
	Year 1991 [Acts No. 463/1991 and No. 482/1991 Coll.]	Year 2009 [Acts No. 110/2006 and 111/2006 Coll.]
<i>Special rules for behaviour of SA claimants</i>		
Special rules for people who did not bring to Social assistance administration the Individual Action Plan done in cooperation with Labour Offices	None	Existence minimum only (before 1.1.2009 also SA workers had to elaborate the so-called activation plans with SA claimants)
Special rules for people who work or are in public service jobs	None	Disregard applied at 70% of benefit, bonus 50% of difference between existence minimum and living minimum
Special rules for people in the evidence of PES	None	Existence minimum + 30% of difference between existence minimum and living minimum
Special rules for people who are in debts in alimony for more than three months	None	Existence minimum only

Source: Authors, on the basis of laws and decrees included in LexData system.

months of SA receipt the claimants are now only entitled to the 'existence minimum', and not the more generous 'living minimum' as before. Only if they participate in public works between 20 and 30 hours per week will they be entitled for the living minimum, and if they work more than 30 hours they receive a bonus amounting to half the difference between the living and existence minima. Municipalities are thus being pushed to use SA as an activation tool, in parallel with the ALMP measures provided by employment offices. The two sectors of activation are, however, not coordinated; according to our own research at a number of employment offices, for example, the mediators working there do not generally know whether the unemployed receive SA benefit at the reduced level.

Since January 2009 the UI benefit period has been shortened from six to five months in order to 'make people to look more actively for work'. Where previously an IAP was voluntary for jobseekers, since 2009 it has also been made compulsory, and employment offices are obliged to offer IAPs to all jobseekers

who have been registered for longer than five months. As before, those benefit claimants who do not fulfil their duties (as outlined in the IAP) or refuse to participate in requalification measures might be excluded from the register.

The number of jobseekers excluded from the register of employment offices within a year period gives a good indication of the effects of the implementation of this stricter system of behavioural conditions in unemployment protection. In the 1990s the length of the exclusion from the register was three months. About 10 per cent of unemployed claimants were suspended from benefit for this reason in 1995, and in subsequent years this rate fell to 8 per cent (Homola and Kotrusová, 1998). Since 2004 the suspension period has been prolonged to six months and, as discussed, there are now more grounds in the legislation to exclude jobseekers from the register. As shown in Figure 13.2, the absolute number of claimants excluded for behavioural reasons per year rose from about 30,000 in 1996–7 to 98,000 in 2007, and to 91,000 in 2008, a period in which unemployment was declining.

It is not surprising therefore that between 1991 and 2006 the numbers of recipients of SA gradually increased, while the numbers of people on unemployed benefits declined. Until 2004 this was due to increasing numbers of the long-term unemployed, while after 2004 it was instead because of tighter eligibility rules in UI, especially for the young, the long-term unemployed, and those unemployed dependent on SA but assessed as inactive in their job search and dependent, who were excluded particularly frequently as a result of the above changes in eligibility

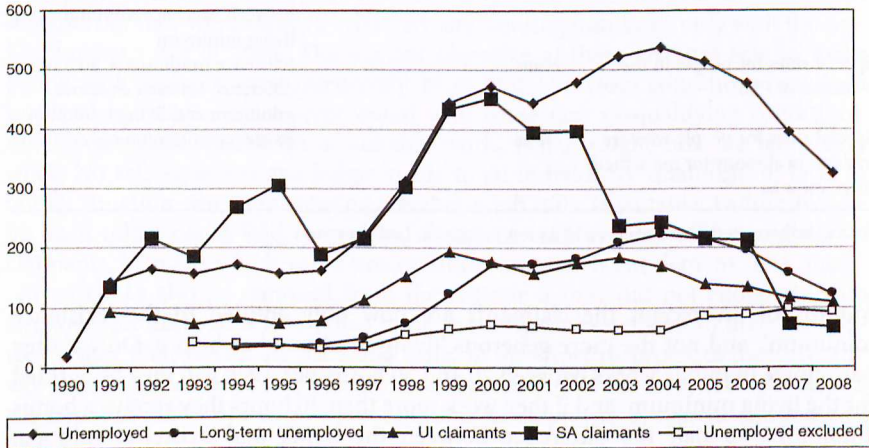


Figure 13.2. Unemployment, long-term unemployed (12+ months), UI claimants, SA claimants, and the unemployed excluded from registers (yearly averages in thousand)

Source: Unemployment: employment statistical yearbook 2008 (MLSA, 2009b). Data not available for 1990–2; long-term unemployment: www.mpsv.cz (SSZ); social assistance: MLSA (2003, 2006, 2008, 2009a). The data about social assistance were collected once a year in 1993–2002 and represent the number of social assistance recipients who received a benefit at least once a year. Since 2003 the data have been collected four times a year and present an average number of benefits paid per month. Since 2007 the data of administrative database system have been used rather than paper returns.

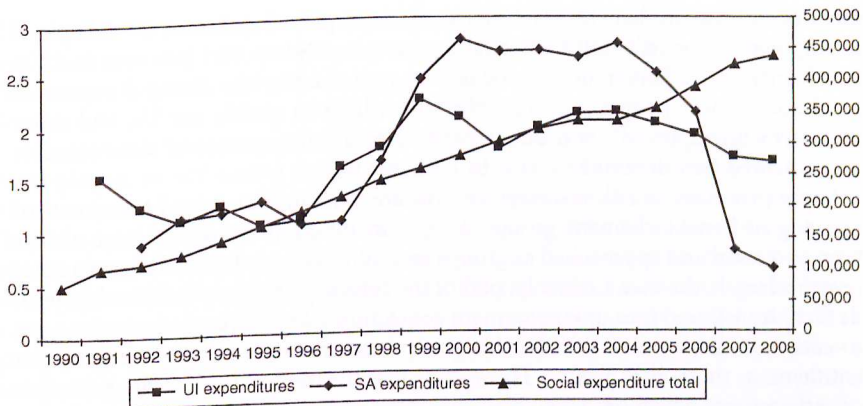


Figure 13.3. UI expenditures and SA expenditures as % of total social expenditures, social protection expenditure total in billions CZK

Note: Data on social assistance from 2007 and 2008 (living and existence minimum + supplement for housing) are not fully comparable with data for previous years.

Source: Unemployment insurance: Employment service of MLSA and MLSA statistics published online at www.mpsv.cz. Data for 2008 are from Budget Fulfilment Report (published by Ministry of Finance). Social assistance: MLSA (2003, 2006, 2008, 2009a). Total social expenditure consists of all social expenditures including, for example, pensions but without health care (*Source:* VUPSV, 2009).

rules (see Figure 13.2). We can also observe (in Figure 13.3 below) that expenditures on SA were substantially reduced due to the reform in 2006 (between 2004 and 2006 they dropped due to decreasing unemployment rates).

13.4 ASSESSING CHANGES IN CZECH UNEMPLOYMENT PROTECTION

In this section, we analyse the Czech reform trajectory in relation to the three dimensions – risk re-categorization, homogenization, and activation – of post-industrial unemployment benefit reform laid out in the introductory chapter of the volume.

In the Czech case, the story within SA is largely one of tightening conditionality, especially after 2004. This relates to unemployment status, eligibility conditions, and activation requirements. Benefit levels, benefit duration, and the coverage of the SA system (and thus the number of claimants) decreased significantly (see above). On the other hand, within UI benefit levels and durations were set at a relatively modest level from the introduction of the system, and this probably explains why only minor changes were adopted on this dimension in the subsequent ten years. However, considerable restrictions of access are nonetheless evident regarding coverage and eligibility. Fewer claimants became eligible for

the unemployment benefit. The share of unemployed persons in receipt of unemployment benefits fell from 64.8 per cent in 1991 to 28.1 per cent in 2006 (see Figure 13.1). This trend may be in part explained by the changed economic conditions (fewer people in stable jobs which help to qualify for UI, and more long-term unemployed), and but is partly also a consequence of the measures implemented (restrictions in access to UI benefits).

Some processes of risk re-categorization are evident, but not to the extent of merging of benefit claimant groups. People in different situations have always been perceived and approached as groups with different needs and duties, and this remains largely the case. Certainly, part of the category of elderly workers has been *de facto* transferred into unemployment protection with the restrictions on access to early exit, but even within UI this groups continues to enjoy more generous entitlements than other groups. This means that the modest risk re-categorization of early retirees which has taken place has been accompanied with differentiation of the entitlements. Inversely, some previously included claimant groups such as school leavers were actually excluded from coverage of UI, a process which can be seen as a form of restrictive risk re-categorization.

Other inactive groups have been left aside in this process: parents caring for children below 4 and disabled people are covered by different social protection schemes (parental benefit, invalidity pension), and no attempt was made in the Czech case to include them in UI or the unemployment category. During the seventeen years between 1990 and 2007, the number of full invalidity pensions paid monthly increased by 10 per cent, while the number of partial invalidity pensions increased in the same period by 60 per cent (see Figure 13.1), circumstances which (among other factors) led to the reform of the invalidity system in 2008.⁴ But there are indications of the continuing use of invalidity benefits as an alternative to unemployment benefit. Parental benefit is provided in the Czech Republic until a child is aged 4, the most expansive time period in EU. Administration of parental benefit and other 'social support benefits' (e.g. child benefit) was indeed merged with UI at the street level, and these benefits are now administered by the PES. However, this administrative merger does not indicate any attempt at risk re-categorization for reasons of labour force mobilization, but was instead driven by administrative cost-efficiency considerations: while employment offices took over these tasks from municipalities, they have always been very careful to keep their delivery separate from the delivery of benefits turned to the labour market.

The status boundaries between various beneficiary groups within the system of social protection as a whole remained either unchanged or became even more pronounced, even within the same functional category (e.g. unemployed, people in receipt of disability benefit). Social insurance and social assistance have always been and have remained strictly separated both by function and administration, in spite of the fact that the numbers of the unemployed eligible for SA benefits has become higher over time than the number eligible for unemployment benefits. The eligibility criteria for claimants of UI, SA, incapacity benefits, and parental

⁴ Data presented are in one aspect disputable. Invalidity pensions are not transposed to old-age pensions in the Czech Republic as it is common in some other European countries and this could lead to the exaggeration of the problem indicated by sole numbers of invalidity pensions (Bruthansová et al., 2002).

benefit are very different. At the beginning of 2000s, more elderly workers have been covered by unemployment protection (restrictions in early exit), but later people above 50 and 55 have been provided with more generous entitlements for UI.

In contrast to the assumption of greater homogenization in social rights for the unemployed, as outlined in the introductory chapter of this volume, in the Czech case we instead find evidence of greater diversification. There is obviously an 'insider-outsider' distinction behind this process. In terms of caseloads, we have shown the increasingly 'residual' role of the UI system when compared to SA during the 1990s. In the period between 2006 and 2009, by contrast, we see the strong efforts to marginalize SA scheme by excluding parts of the recipients completely outside the social protection system and thus reducing overall claimant numbers.

A major trend after 2003 was increasing economic incentives to work, and the efforts to make benefit receipt more conditional on working or work-seeking activity were stepped up both in UI and SA. This activation trend is clearly visible not only in policy and government documents but also in the data on the numbers of claimants sanctioned for failing to fulfil their duties. This trend could be described as mainly negative activation, based essentially on the instrument of repressive sanctions. On the other hand, and in line with limited risk re-categorization more generally, activation in benefit systems other than UI and SA is not evident. For example, people with disabilities are permitted to work while receiving invalidity pensions as long as their health status corresponds to their benefit status. Similarly, parents caring for small children are permitted to work while claiming parental benefit but it is not demanded nor expected and only rarely used in practice (Hašková, 2007; Kuchařová et al., 2006). In fact, the only category of the inactive which has been 'activated' in the Czech Republic were (potential) early pensioners, as the 2001 Pension Act implemented stricter sanctions on early exit due to the expected deficits in the Pension budget and an increasing number of early pensioners.

13.5 UNDERSTANDING CHANGE: GUARDING THE LEGITIMACY OF TRANSFORMATION IN FACE OF THE ECONOMIC PRESSURES

The trends evidenced in Czech unemployment protection are due to coincidence of several factors. First, unemployment protection reforms can be understood in relation to the specific conditions/needs of transformation from socialist to a capitalist economy (the transformation thesis). Second, the reform path has been shaped by the political strategies adopted by the government and the dynamics of public opinion and partisan politics. Finally, it is crucial to take economic conditions into account, in particular the pressure of reducing public budget deficits and promoting long-term economic sustainability.

13.5.1 The transformation thesis examined

The Czech Republic had a very different starting position from most of the other countries analysed in this volume, with the exception of Hungary. There was little previous experience with unemployment protection, and the transformation to a market economy was expected to bring harsh social impacts and imbalances in public finance. The period after 1989 can be seen as the continuation of the 'emergency welfare state' (Inglot, 2008), which aimed to adopt appropriate measures (either temporary or more systemic). It may not be a surprise that some reforms proved to be badly designed or not functional, and have been subjected to subsequent alterations.

The new system of unemployment protection was created in a context of strong political demand for fast solutions. A process of experimentation and institutional learning followed, in which the timing of the transformation process itself played a crucial role. In the initial period (1990–2), unemployment protection and SA were created as systems with broad coverage, lenient eligibility, relatively high generosity, and low demands on jobseekers. However, due to the threat of increasing unemployment and increases in benefit expenditure, the UI system was redesigned as early as 1991, and became less generous. At the same time, SA played an important role as a measure of last resort for those not or insufficiently covered by social insurance. The priority was to achieve full coverage, and to alleviate the risks of poverty with rather 'moderate' but quite accessible benefits.

Since the risk of unemployment was managed effectively thanks to anti-bankruptcy policy, UI and SA remained mainly concentrated on relatively narrow categories of the marginal work force. As a result, UI benefits could be kept at rather low level of generosity with limited popular disquiet. The 'regular work force', which represented the potential source of social protest, was not expected to become unemployed often or for particularly lengthy periods of time.

When in 1997–8 an economic slowdown led to widespread indebtedness, many post-socialist manufacturing firms were declared bankrupt and many workers had to be laid off. The government now felt obliged to help the affected regular labour force to overcome this situation. The ceiling of the UI (maximum benefit level) was raised from 1.5 to 2.5 times more than the living minimum by the Social Democratic government in 1999 in order to provide better unemployment benefits to previously well-positioned workers, while conditionality increased at the same time (see Table 13.3). At this time (like in the initial transformation period in 1991), the UI scheme was recognized in the Czech Republic as the scheme relevant for the 'insiders'. Except for this change, the system remained relatively stable until 2004. During this period, however, the protection of those at the margin of the labour force deteriorated due to delays of revaluation of the living minimum and decreasing replacement rates of SA benefits.

In 2004 the Czech Republic joined the European Union, which greatly helped to attract foreign investment, intensified international trade, and supported the economic boom. Continuing high economic growth during 2005–8 (4–6 per cent GDP per year), and the less intensive restructuring process, contributed to a reduction in unemployment between 2005 and 2008 (Statistical Annex, Table A.5). In the UI system, tighter conditionality and restricted access was imposed

while benefits were slightly improved, albeit with differentiations depending on age. This was followed by improved replacement rates for the short-term unemployed, evidently with the aim to protect better the insiders now more reliably identified thanks to stricter eligibility criteria. On the other hand, strong reforms in SA were introduced which deteriorated the access to benefits.

13.5.2 Political process and public opinion

Initially, two social policy goals were explicit: firstly, easing the social burden of, and thus weakening social barriers to, economic reform; and secondly, contributing to the activation of working-age and employable population and improving self-reliance while still guaranteeing a living minimum for everyone (Miller, 1992). Until 1997 the government in the Czech Republic was led by the right-wing Civic Democratic Party (ODS), which contributed to the reduction in the unemployment protection system both in 1992 and 1997, since this government preferred to improve work incentives in general. In practice, it in fact protected the jobs of insiders and provided easy access to SA benefits for the marginal workforce, guided by political considerations of 'protest avoidance'.

This temporal policy was in the early 1990s supported by measures of labour shedding with respect to some groups of workforce (e.g. forced retirements for working pensioners and early pensions and long parental leave for mothers) with the intention to 'clear the market'. Since this strategy succeeded both in guaranteeing a low level of unemployment and a low level of poverty, from the immediate post-communist period until the late 1990s there was little interest in changing the system. However, the increase in unemployment during 1997–9 contributed to the improvements in UI benefits, in line with the protest avoidance strategy. These also led to more differentiation between UI and SA, in line with the aim of dividing potentially influential protest groups (Vanhuysse, 2006).

This process of differentiation continued later with more intensity. In the period between 2004 and 2009, several reform steps were undertaken both in UI and in SA. In the UI system both the reforms adopted by Social Democrats (2004) as well as right-wing Civic Democrats (2007) brought not only more conditionality and emphasis on activation but also better benefits for older workers and the short-term unemployed. In contrast, the reforms in SA were directed towards more conditionality, stricter access, and cuts in benefit levels. The main reforms of SA scheme in 2006 were undertaken under the rule of ČSSD. Some Social Democratic politicians stated that they recognized the need to change the system, which was increasingly seen to lead to long-term welfare dependence. In 2007–8, the new right-wing cabinet continued with further and more radical reforms of SA.

Changes in both schemes were in many aspects inspired by the reform experience in the United Kingdom during the 1980s (see Clasen 2005 and Chapter 2 in this volume), and were accompanied by a strong right-wing ideological ethos (even during periods of Social Democratic government). This can be explained by two factors. First, the central role of the narrow groups of policy experts and policymakers who always helped to maintain continuity in the 'emergency welfare state' during communist and post-communist times (see Inglot, 2008), and who at

the end of 1990s accused the SA system of being outdated because of lacking work incentives. Second, under conditions of economic pressure the Social Democratic government perceived the low legitimacy of the SA among the public, and accepted that it, rather than the other parts of the social protection system (pensions, UI), should be a target of cuts.

Although inspired by the UK example, the Czech government nonetheless decided to give more space to the equivalence principle in the UI scheme, which should reward 'the more deserving' unemployed (short-term, with higher previous income and contributions), while other 'less deserving' groups of SA claimants were being activated. The main reason for this was 'moral' and ideological considerations: despite their opportunistic policies, political elites have since the 1990s influenced the public discourse and media by the propagation of strong neo-liberal ideas. This discourse blamed those unemployed who were long-term SA benefit recipients for lack of morals. On the other hand, the recession during 1997–9 convinced policymakers that even the insiders may be hit strongly by unemployment.

In later years, SA came to increasingly be seen by the public as a measure for people 'cheating the system' and avoiding work. Public opinion was especially unfavourable towards Roma, who were regarded as the main group of SA claimants. In research conducted by STEM (2004), 66 per cent of respondents thought that the contemporary level of benefits was not motivating for job search and social benefits should be lower so that people would have to take less qualified work, participate in ALMPs, or move to another region to look for work. It was clear that retrenchments of social assistance would not meet with any public resistance. When the centre-right government coalition introduced the reform of public finance in 2007, making reference to long-term dependency and 'misuse of social system', reforms were undertaken without much public interest and a lack of public debate: the media on the whole supported the reform processes. Trade unions were also unable to influence these reforms. Though they criticized the reforms in UI and SA of the centre-right government in 2007 and 2008, the negotiations between the government and the unions in tripartite bodies were purely formal, and the government did not take on board any arguments raised by the unions.⁵

13.5.3 Economic austerity

A final explanation of the pattern of reforms in Czech unemployment protection relates to economic constraints, and especially the perceived threat of growing public budget deficits. In international comparison, expenditure on UI and SA in the Czech Republic was always rather modest, even during periods of increased unemployment. Nevertheless, in the context of the lower legitimacy of income support for the unemployed compared to the other parts of social expenditure, the

⁵ During the Social Democratic government (1998–2006), negotiations with the trade unions were more serious. However, the inclination of the government to improve the UI scheme and let the SA scheme deteriorate was motivated by electoral considerations rather than by the influence of the trade unions.

pressures on public expenditure stemming from the increasing pension and health-care expenditure and other pressures, such as the conditions for adopting the euro, represented influential factors contributing to the changes in the unemployment protection system.

Social spending was first seriously hit as a consequence of economic crisis in 1997 (see Figure 13.3). Because of contribution-based funding of UI, its relatively modest benefit levels, and strict eligibility criteria, the economic cost of the UI system actually never became a serious problem. The real problem was seen in the growing costs of SA system to which more and more people were directed, especially after 1998. The most significant groups of claimants were single people, single parents, and large families (the latter often from the Roma ethnic group) (Sirovátka, 2006). The coincidence of relatively high expenditure on SA since 1999 with the low legitimacy of SA benefits among the public and policymakers created an incentive for preparing the reform of SA implemented in 2006.

13.6 CONCLUSIONS

The reforms of the unemployment protection in the Czech Republic followed a trajectory which differed from many other 'old' EU countries. The original system of UI as designed at the beginning of 1990s was rather modest, while mass unemployment and public protest were prevented more through the deliberate anti-bankruptcy policy of the government, which kept a majority share in bank sector while tolerating mutual indebtedness of ineffective companies. In contrast, the SA scheme was originally designed to be quite generous and easily accessible. The two schemes were in fact 'converging' for a time: unemployment benefits were provided for a short period of six months, with a low replacement rate (60, later 50 and 40 per cent), up to a low ceiling of 1.5 times more than the living minimum for a single person (SA benefit). On the other hand, SA benefits for households with children were close to average wage or even higher (in case of family of four). Subsequently, however, SA was scaled back in a series of small steps, while moderate improvements were implemented in UI whenever unemployment tended to increase and threatened the regular insider workforce. Reforms after 2004 became increasingly radical, with a growing tendency towards differentiation of both schemes in terms of generosity, while greater conditionality appeared as a key feature in both. This saw stricter definition of suitable work and more severe sanctions in both the UI scheme and the SA scheme.

With the exception of a brief period in the early 1990s, then, social rights for the unemployed in the Czech Republic have not become more homogeneous. On the contrary, a clear trend towards diversification can be identified in a number of respects, and particularly with the generosity of UI and SA increasingly diverging. Nor is there considerable evidence of the pool of unemployed people being made wider. Schemes for parents and invalids remained strictly separate from UI and SA, and while older workers were integrated back into the pool of unemployed by the closure of formal exit routes, they continued to receive rather more generous entitlements than other workers, and especially young workers, who were excluded from entitlement to UI and SA altogether.

045
While trends towards broadening the pool of unemployed and homogenizing their rights are limited in the Czech case, there has been a strong push to implement of the principle of activation. Activating measures have been introduced both in SA and UI, though – in line with the growing differentiation of treatment of different claimants groups – these are stronger and more punitive in the former scheme than the latter. Particularly for the more irregular parts of the workforce, the current Czech system of unemployment protection thus seems to be one of strictest unemployment in Europe, in terms of both generosity and conditionality.)

> All in all, the rationale behind the recent evolution in Czech unemployment protection seems to be sharpening the distinction between the deserving (short-term unemployed, older workers, regular workforce) and the undeserving (long-term unemployed, younger workers, marginal workforce) parts of the unemployed population. We have argued that the most important factors that have influenced the development of this policy logic have been the nature and timing of the major transformation process related to post-communist transition and the political logic of directing most resources to the most powerful and legitimate groups of claimants, with the latter dynamic intensified since the late 1990s by economic and budgetary constraints.)

Appendix 13.A Main changes in job-seeking conditions in unemployment insurance and social assistance in Czech Republic (1990–2009)

	Unemployment insurance	Social assistance
1991	<ul style="list-style-type: none"> • Exclusion from benefit entitlement if suitable job is refused, the definition of which takes account of health, qualification and skills, age, duration of previous employment, and family situation/possibilities of accommodation. • Has not lost repeatedly job without good reason or was not made redundant because of misconduct. • Sanction of exclusion from register for a period of 3 months – consequently the complete loss of the benefit entitlements. 	<ul style="list-style-type: none"> • <i>Income condition</i>: have to prove circumstances (e.g. that income is less than living minimum) in 8 days. No possibility exists to increase income by own effort: by working, by selling property, etc. • <i>Disqualifying status conditions</i>: people not listed in the register of jobseekers (with exception for people 65+, disabled, parents of small children, people caring about disabled and elderly, etc.) including people excluded from registers of employment office due to non-cooperation/misconduct. • Those who evidently do not try to improve their situation by own effort are excluded from SA.
2004	<ul style="list-style-type: none"> • School (and university) graduates no longer eligible for unemployment benefits unless they fulfil the employment record condition (i.e. 12 months of employment within the last three years). • Stricter definition of 'suitable job': does not take necessarily into account qualification and skills, age, duration of the previous employment, and family situation/possibilities of accommodation. Definition includes temporary jobs that last for longer than 3 months and amount to 80% of full-time job. • <i>Work incentive</i>: disregard of earnings below half of minimum (monthly) wage (temporary or part-time job) • <i>Sanction</i>: exclusion from register for the period of 6 months which implies a complete loss of the benefit entitlement. • Compliance with the Individual Action Plan commitments (signing IAP is voluntary). 	
2005	<ul style="list-style-type: none"> • Stricter definition of a 'suitable job' for people unemployed more than 12 months. Claimants have to accept also job offers shorter than 3 months or at least 50% of normal working time. 	
2006		<ul style="list-style-type: none"> • <i>Qualifying status conditions</i>: unsatisfactory social circumstances, lack financial resources and if endangered by social exclusion • <i>Disqualifying status conditions</i>: listed in the register of jobseekers more than 12 months and have refused to take up short-term employment or to participate in an active

(continued)

Appendix 13.A (Continued)

Unemployment insurance	Social assistance
<p>2007</p> <ul style="list-style-type: none"> The unemployed person whose job in the past 6 months was terminated for breaking laws in connection to their work are not eligible for the benefit <p>2008</p> <ul style="list-style-type: none"> The unemployment insurance benefit is withheld from jobseekers who in previous six months ended suitable employment arranged by the employment office at least at two occasions without good reason. 	<p>employment policy programme without serious reason.</p> <ul style="list-style-type: none"> <i>Lowered benefits:</i> existence (subsistence) minimum instead of living minimum applied (based on discretionary decision) in cases where willingness to cooperate with the Social Department in order to improve own incomes by working (or other possibilities) is lacking. Pensioners and parents caring about children below 4 years or dependent person/person older than 80 years accused from this rule. <i>Disregard:</i> only 70% of income from work and 80% of income from sickness and unemployment benefits is taken into account when testing means of subsistence. Special bonuses which increases the level of the living minimum for jobseekers after 1 year of unemployment, provided they require special assistance with job search (600 CZK) or have proved increased costs of job search (300 CZK). An activation plan should be elaborated for those who are welfare dependent for more than six months. <i>Disqualifying status conditions:</i> people who refused to take up short-term employment or to participate in an active employment policy programme without serious reason are excluded for 3 months. Bonuses increasing the living minimum for active jobseekers were cancelled. Since January 2009 after 6 months of social assistance benefit receipt, the recipients are entitled only to the allowance for living which would be computed with use of 'existence minimum' instead of 'living minimum'. In case that they participate in public service programme (at least 20–30 hours per month), they would be entitled for the allowance for living computed with use of the living minimum. If they work more than 30 hours they would receive a bonus in amount of half of difference between living minimum and subsistence minimum. Similarly, those who are employed on low earnings get this bonus. Possibility of in-kind benefits or benefits provided to the 'substitute' recipient in cases of their misuse or evident risk of

- Sanction for failing to 'announce duty' within 8 days: unemployed have the legal duty to announce any circumstance which could affect their benefit entitlement (including undeclared work).
 - Sanctions for refusing to comply with Individual Action Plan (IAP is obligatory) or refusing participation in requalification programme.
 - Activation plan cancelled as an instrument used by Social Departments of municipalities. Instead Employment Offices obliged to elaborate activation plans with all unemployed after 5 months and claimants are obliged to show it at SA departments.
- misuse. Mean of benefit payment (by cash, electronic payment, food stamps/vouchers) is decided by the benefit provider (municipality).

Source: Authors, on the basis of laws and decrees included in LexData system.