

OECD Reviews on Local Job Creation



# Employment and Skills Strategies in the Czech Republic



Czech Republic



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**Please cite this publication as:**

OECD (2014), *Employment and Skills Strategies in the Czech Republic*, OECD Reviews on Local Job Creation, OECD Publishing.  
<http://dx.doi.org/10.1787/9789264208957-en>

ISBN 978-92-64-20896-4 (print)

ISBN 978-92-64-20895-7 (PDF)

Series: OECD Reviews on Local Job Creation

ISSN 2311-2328 (print)

ISSN 2311-2336 (online)

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## Preface

**A**cross the OECD, policy makers are grappling with a critical question: how to create jobs? The recent financial crisis and economic downturn has had serious consequences across most OECD countries, with rising unemployment rates and jobs being lost across many sectors. Indeed, for some countries, the effects of the downturn are continuing, if not amplifying. Shrinking public budgets in some countries also mean that policy makers must now do more with less. In this context, it is necessary to think laterally about how actions in one area, such as employment and training, can have simultaneous benefits in others, such as creating new jobs and better supporting labour market inclusion.

Over recent years, the work of the OECD LEED Programme on Designing Local Skills Strategies, Building Flexibility and Accountability into Local Employment Services, Breaking out of Policy Silos, Leveraging Training and Skills Development in SMEs, and Skills for Competitiveness has demonstrated that local strategies to boost skills and job creation require the participation of many different actors across employment, training, economic development, and social welfare portfolios. Employers, unions and the non-profit sector are also key partners in ensuring that education and training programmes provide the skills needed in the labour markets of today and the future.

The OECD Reviews on Local Job Creation deliver evidence-based and practical recommendations on how to better support employment and economic development at the local level. This report on the Czech Republic builds on sub-national data analysis and consultations at the national level and with local stakeholders in two case study areas. It provides a comparative framework to understand the role of the local level in contributing to more and better quality jobs. The report can help national, regional and local policy makers in the Czech Republic build effective and sustainable partnerships at the local level, which join-up efforts and achieve stronger outcomes across employment, training, and economic development policies. Co-ordinated policies can help workers find suitable jobs, while also stimulating entrepreneurship and productivity, which increases the quality of life and prosperity within a community as well as throughout the country.

I would like to warmly thank the Czech Ministry of Regional Development, the Ministry of Labour and Social Affairs, the Ministry of Education, Youth and Sports, and the Ministry of Foreign Affairs for their active participation and support of the study.



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## Acknowledgments

This report has been written by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) as part of a project, undertaken in co-operation with the Czech Ministry of Regional Development, the Ministry of Labour and Social Affairs, the Ministry of Education, Youth and Sports, and the Ministry of Foreign Affairs. This project is part of the OECD LEED programme of work under the leadership of Sylvain Giguère.

The principal authors of this report are Martin Bakule (National Training Fund), Jonathan Barr, Policy Analyst, OECD and Lucy Pyne, Consultant, OECD. The authors would like to thank Francesca Froy, Senior Policy Analyst, OECD; and Ekaterina Travkina, Senior Policy Analyst, OECD for their valuable comments on the report. Thanks also go to Michela Meghnagi for her work on the data analysis, as well as Elisa Campestrin, François Iglesias, Malika Taberkane and other colleagues in the OECD LEED Programme for their assistance with this report.

The authors would like to acknowledge the valuable contribution of Jan Hendelowitz (Senior Adviser, the Danish National Labour Market Authority, Ministry of Employment, Denmark, and Chair of the OECD LEED Directing Committee) for his participation in the study visit and helpful advice on this review.

Special thanks go to Soňa Perglerová of the Ministry of Regional Development for her assistance in preparing the report, including arranging the OECD study visit. Jaroslav Maroušek of the Ministry of Labour and Social Affairs provided assistance in distributing the OECD electronic questionnaire to public employment service offices.

Finally, special thanks are given to local representatives who participated in the project interviews and roundtables, and provided documentation and comments critical to the production of the report.

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## Acronyms and abbreviations

<b>ALMP</b>	Active labour market policy
<b>CR</b>	Czech Republic
<b>CVET</b>	Continuing vocational education and training
<b>CZK</b>	Czech Koruna
<b>CZSO</b>	Czech Statistical Office
<b>ESA</b>	Employment Service Administration
<b>ESF</b>	European Social Fund
<b>HRD</b>	Human Resource Development
<b>IAP</b>	Individual Action Plan
<b>ISCE</b>	International Standard Classification of Education
<b>ISCO</b>	International Standard Classification of Occupations
<b>LFS</b>	Labour Force Survey
<b>LO</b>	Labour Office of the Czech Republic
<b>MEYS</b>	Ministry of Education, Youth and Sports
<b>MIT</b>	Ministry of Industry and Trade
<b>MLSA</b>	Ministry of Labour and Social Affairs
<b>MRD</b>	Ministry of Regional Development
<b>NACE</b>	Statistical Classification of Economic Activities
<b>NEET</b>	Not in Education, Employment or Training
<b>NOET</b>	National Observatory of Employment and Training
<b>NRVQ</b>	National Register of Vocational Qualifications
<b>NSO</b>	National System of Occupations
<b>NUTS</b>	Nomenclature of Territorial Units for Statistics
<b>NTF</b>	National Training Fund
<b>PES</b>	Public employment service
<b>RDA</b>	Regional Development Agency
<b>RDS</b>	Regional Development Strategy
<b>RILSA</b>	Research Institute for Labour and Social Affairs
<b>RIP</b>	Regional Individual Projects
<b>SEO</b>	Social Economy Organisation
<b>VET</b>	Vocational Education and Training



## Executive summary

Compared to other OECD countries, the Czech Republic emerged relatively strong from the global financial crisis but growth remains fragile. Long-term unemployment is persistently higher than the EU average and productivity remains weak affecting overall competitiveness. Creating quality jobs and skills is an important priority to continue growing the economy. As articulated in the National Reform Programme, the government is focused on maintaining stability, increasing national competitiveness, and driving up employment.

The OECD Local Economic and Employment Development Programme (LEED) has developed an international comparative project to examine the capacity of local employment services and training providers to contribute to a long-term strategy which strengthens the resiliency of the local economy, increases skills levels and job quality. In the Czech Republic, the review has looked at the range of institutions and bodies involved in employment and skills policies. In-depth work was undertaken in the Ústí nad Labem and South Moravian regions.

This review was undertaken at a time of recent institutional reform, which has altered the management of the employment and training system. The government centralised some aspects of employment policies in an effort to create more equitable services across regions in the Czech Republic. While some flexibility has moved away from the local level, the reformed system offers the potential to develop broader regional approaches, which better align with travel to work areas. The government will need to balance flexibility and accountability under the new structures to ensure nationally articulated priorities enable local labour market responses.

Skills are the great equalizer and a key route towards economic and inclusive growth. The OECD Skills Strategy has highlighted the importance of developing a whole of government approach to developing, activating, and utilising skills. There is an opportunity for the Czech Republic to update its 2003 Human Resources Development Strategy and identify national and local skills priorities for the current and future labour market.

At the local level, a robust skills system requires integrated actions across employment, training, and economic development policies. In the Czech Republic, local policy co-ordination and integration could be strengthened through stronger local partnerships and governance structures, which are given flexibility to design local job creation strategies. This would lead to more information sharing and the identification of common objectives as well place-specific initiatives, which promote local economic development and growth. The better use of information and data at the sub-national level can help bring local partners together to assess local challenges and identify which labour market interventions are most successful.

Employers have a defining role to play in any local skills system therefore it is critical that they are well connected with employment services and training providers to ensure that the skills being deployed meet demand. The Ministry of Labour and Social Affairs has

called on labour offices to engage more with employers to create a more responsive employment and training system. Sectors Councils in the Czech Republic can contribute to the skills agenda by aligning the employment and training system with areas of future growth and global competitive advantage.

To raise productivity, the Czech Republic should focus policy efforts on better utilising the skills of the existing workforce. This includes looking at how the workforce is structured and the relationship between the needs of employers and an individual's skills. More awareness could be built on this important issue, which has led to increased innovation and productivity in other OECD countries. Vocational education institutions can play an important role in working with employers to examine production processes and develop strategies to raise incremental innovation.

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## Recommendations

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### **Better aligning programmes and policies to local economic development**

- Maintain flexibility in the management of employment programmes and services for the local level within a national system, which articulates strategic objectives and accountability requirements.
- The Labour Office should strengthen the capacity of the regional and local level to deliver programmes while ensuring that private providers complement existing services.
- Enhance communication and partnerships between local stakeholders in order to promote shared solutions. This could include taking full advantage of existing networks and fora, as well as exploring ways to advance new forms of engagement.
- Support the development of evidence-based tools to make better decisions about employment and training programmes. Develop more rigorous policy evaluations and ensure that evaluation results are fed into policy making

### **Adding value through skills**

- Education and training provision would benefit from being more targeted at lower skilled workers. There is also scope to build in a stronger emphasis on generic and soft skills in course curricula.
- Ensure that employers are more fully involved in the design of training programmes to make provision more relevant and responsive to the needs of the local economy.
- The apprenticeship model should be updated to provide better quality and more relevant training opportunities.
- Support the development of a career counselling system for youth and adults and promote greater cooperation among career counselling stakeholders.

### **Targeting policy to local employment sectors and investing in quality jobs**

- Place a greater emphasis on emerging growth sectors and ensure the employment and training system is well aligned to these areas.
- Put more emphasis on skills utilisation approaches to create and attract better quality jobs and productivity.

### **Being inclusive**

- Both private and public sector employers should be encouraged and supported to make their workplaces more suitable to those with family responsibilities.

## Reader's guide

The *Local Job Creation* project involves a series of country reviews in Australia, Belgium (Flanders), Canada (Ontario and Quebec), Czech Republic, France, Ireland, Israel, Italy (Autonomous Province of Trento), Korea, Sweden, the United Kingdom and the United States (California and Michigan). The key stages of each review are summarised in Box 1.

### Box 1. Summary of the OECD LEED Local Job Creation Project Methodology

- Analyse available data to understand the key labour market challenges facing the country in the context of the economic recovery and apply an OECD LEED diagnostic tool which seeks to assess the balance between the supply and demand for skills at the local level.
- Map the current policy framework for local job creation in the country.
- Apply the local job creation dashboard, developed by the OECD LEED Programme (Froy et al, 2010) to measure the relative strengths and weaknesses of local employment and training agencies to contribute to job creation.
- Distribute an electronic questionnaire to local employment offices to gather information on how they work with other stakeholders to support local job creation policies.
- Conduct an OECD study visit, where local and national roundtables with a diverse range of stakeholders are held to discuss the results and refine the findings and recommendations.
- Contribute to policy development in the reviewed country by proposing policy options to overcome barriers, illustrated by selected good practice initiatives from other OECD countries.

While the economic crisis is the current focus of policy makers, there is a need for both short-term and longer-term actions to ensure sustainable economic growth. In response to this issue, the OECD LEED Programme has developed a set of thematic areas on which local stakeholders and employment and training agencies can focus to build sustainable growth at the local level. These include:

1. Better aligning policies and programmes to local economic development challenges and opportunities.
2. Adding value through skills: Creating an adaptable skilled labour force and supporting employment progression and skills upgrading.
3. Targeting policy to local employment sectors and investing in quality jobs, including gearing education and training to emerging local growth sectors and responding to global trends, while working with employers on skills utilisation and productivity.

4. Being inclusive to ensure that all actual and potential members of the labour force can contribute to future economic growth.

## Local Job Creation Dashboard

As part of the Local Job Creation project, the LEED Programme has drawn on its previous research to develop a set of best practice priorities in each thematic area, which is used to assess local practice through the local job creation dashboard (see Box 2). The dashboard enables national and local policy makers to gain a stronger overview of the strengths and weaknesses of the current policy framework, whilst better prioritising future actions and resources. A value between 1 (low) to 5 (high) is assigned to each of the four priority areas corresponding to the relative strengths and weaknesses of local policy approaches based on LEED research and best practices in other OECD countries.

### Box 2. Local Job Creation Dashboard

#### **Better aligning policies and programmes to local economic development**

- 1.1. Flexibility in the delivery of employment and vocational training policies.
- 1.2. Capacities within employment and VET sectors.
- 1.3. Policy co-ordination, policy integration and co-operation with other sectors.
- 1.4. Evidence based policy making.

#### **Adding value through skills**

- 2.1. Flexible training open to all in a broad range of sectors.
- 2.2. Working with employers on training.
- 2.3. Matching people to jobs and facilitating progression.
- 2.4. Joined up approaches to skills.

#### **Targeting policy to local employment sectors and investing in quality jobs**

- 3.1. Relevance of provision to important local employment sectors and global trends and challenges.
- 3.2. Working with employers on skills utilisation and productivity.
- 3.3. Promotion of skills for entrepreneurship.
- 3.4. Promoting quality jobs through local economic development.

#### **Being inclusive**

- 4.1. Employment and training programmes geared to local “at-risk” groups.
- 4.2. Childcare and family friendly policies to support women’s participation in employment.
- 4.3. Tackling youth unemployment.
- 4.4. Openness to immigration.

### ***The approach for the Czech Republic***

This study has looked at the range of institutions and bodies involved in workforce and skills development in the Czech Republic. In-depth field work focused on two case study regions: the Ústí nad Labem and the South Moravian regions. Interviews were conducted by an appointed expert with national ministries and regional representatives

working in employment, skills and economic development. An electronic questionnaire was sent to the directors of 77 local labour offices (on the level of former 77 district offices) and the directors of the 14 regional offices. Of 91 possible responses, the OECD received 65 responses. Some responded to the survey in full; whereas other responded to select questions.

In April 2013, the OECD conducted a study visit, where national and local roundtables were held to discuss the findings and recommendations. These meetings brought together a range of national and local stakeholders, including relevant department officials in the fields of employment, training, economic development, and other local community and social development organisations.

### **Reference**

Froy, F., S. Giguère and E. Travkina (2010), *Local Job Creation: Project Methodology*, OECD Local Economic and Employment Development (LEED), OECD, Paris, [www.oecd.org/cfe/leed/Local%20Job%20Creation%20Methodology\\_27%20February.pdf](http://www.oecd.org/cfe/leed/Local%20Job%20Creation%20Methodology_27%20February.pdf).





## Chapter 1

# Policy context for employment and skills in the Czech Republic

*The Czech Republic has made significant progress toward creating a stable and attractive climate for investment following its transition to a private market economy. Its unemployment rate is significantly lower than the EU average and while the recent economic crisis has increased joblessness, its impact has been less than in many other EU countries. However, long-term unemployment has been persistently higher than the EU27 average and women are also much less likely than men to participate in the labour market. While youth unemployment remains lower than the EU average, it is a growing concern as young people find it increasingly difficult to integrate into the labour market. Since 2008, the Czech Republic has introduced significant reforms within the employment and training system, which has altered the institutional landscape and the way in which policies and programmes are managed at the local level.*

## Czech Republic's economy and labour market

The Czech Republic has a population of 10.5 million inhabitants. It is a parliamentary republic which came into being in 1993 as a result of a peaceful split between the Czech and Slovak Federative Republic. The Czech Republic has a strong industrial tradition dating back to the 19th century, when Bohemia and Moravia were the industrial heartland of the Austro-Hungarian Empire. At the time of the 1948 communist takeover, Czechoslovakia had one of the higher levels of industrialisation in Europe. The “Velvet Revolution” in 1989 led to major economic reform and since then, the Czech economy has been characterised by privatisation, large inflows of foreign investment, and increasing domestic consumption.

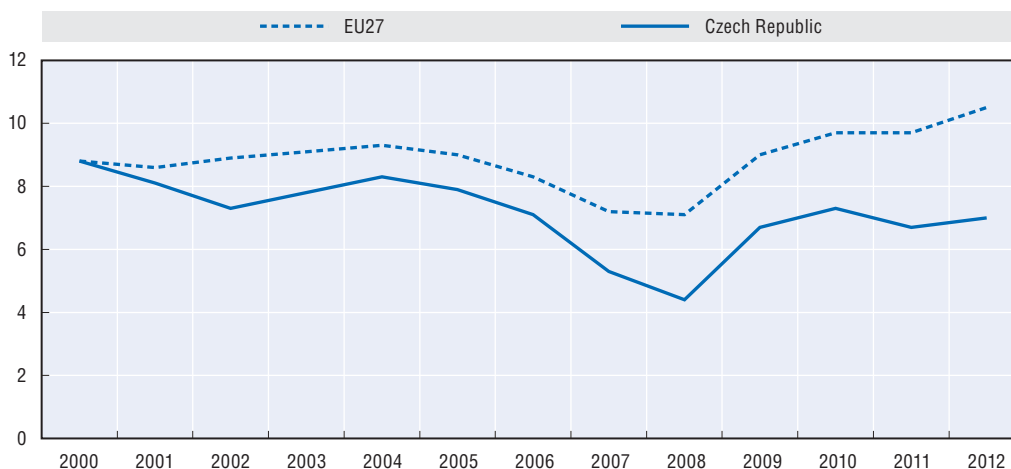
The Czech Republic has made significant progress towards creating a stable and attractive climate for investment. As a small, open economy in the heart of Europe, economic growth is strongly influenced by demand for exports and flows of foreign direct investment. The Czech Republic became a European Union member on 1 May, 2004, a process which has had a positive impact on reform but has meant tougher competition for Czech producers.

As in other countries, the Czech Republic has been affected by the recent economic recession. In 2009, after a decade of continuous growth, GDP showed a year-on-year decrease of 4.1%, representing the deepest slump in Czech modern history (Bakule, 2011). Slight growth was restored by the end of 2009, however the recovery is less dynamic than in other economies and further risks are being created from the international slowdown and sovereign debt crises. Between 2000 and 2012, the Czech Republic has maintained a similar labour market participation rate to the EU27 average (70.3%). This has remained relatively stable over this period with little withdrawal from the labour market even during the crisis. The Czech Republic has a significantly lower unemployment rate than the EU27 average (7.0% compared to 10.5 in 2012 % – See Figure 1.1).

While the recession resulted in increased joblessness across all regions in the Czech Republic, Prague had the lowest unemployment rate in 2012 at 3.1%, followed by Central Bohemia (4.6%). The highest unemployment rate was found in Ústí nad Labem (10.8%). The large regional differences in the unemployment rate suggest that there might be barriers to the geographical mobility of labour (Kuczera, 2010). Between 2007 and 2012, some of the largest increases in unemployment occurred in regions that had relatively lower levels prior to the recession (e.g. South Bohemia and Hradec Králové), while lower increases took place in regions which were suffering high levels of unemployment before the crisis, such as Moravia-Silesia and Ústí nad Labem.

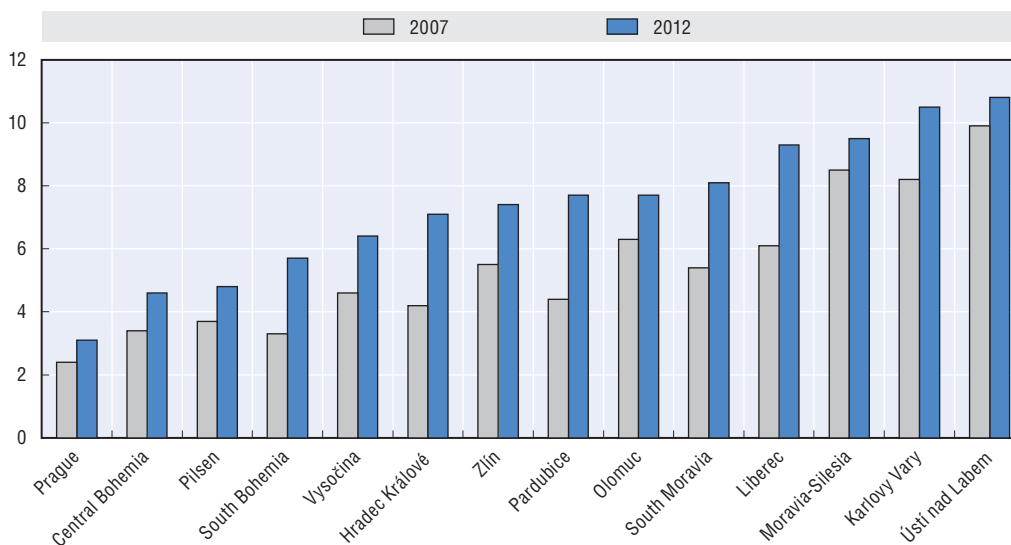
The long-term unemployment rate in the Czech Republic has been persistently higher than the EU27 average and oscillated around 50% of the unemployed between 2000 and 2008 (Bakule, 2012). There is a high difference in unemployment by gender in the Czech Republic, with women significantly less likely than men to participate in the labour

Figure 1.1. **Trends in the unemployment rate in the Czech Republic and European Union, 2000-12**



Source: Eurostat, Labour Force Survey, [http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_ifs/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/database).

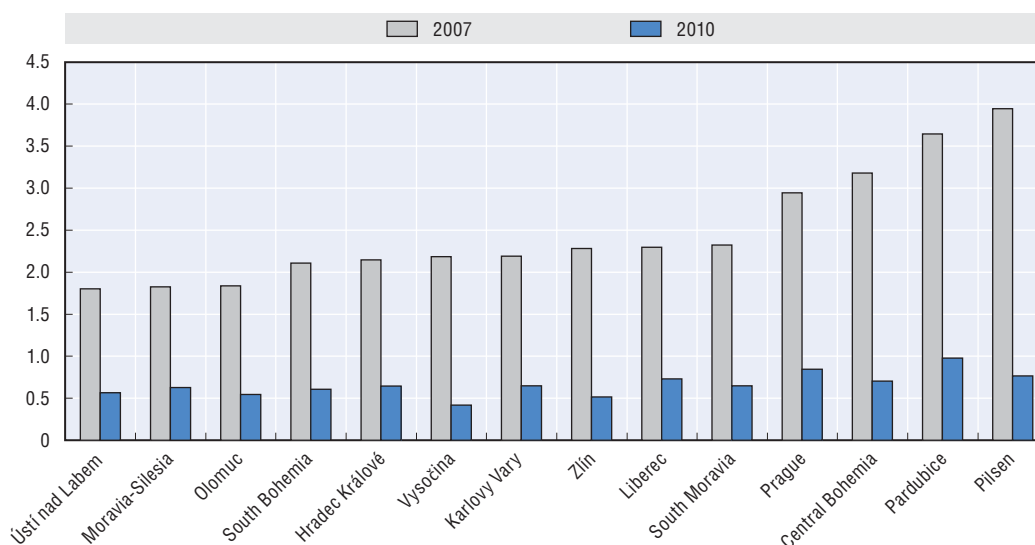
Figure 1.2. **Regional unemployment rate, 2007-12**



Source: Czech statistical office, Labour Force Survey, [http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola\\_id=13&expand=1&](http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola_id=13&expand=1&).

market – 56% of women have jobs compared to 74% of men, a gender difference which is higher than the OECD average (13%) (OECD, 2013d). This has remained relatively stable over the last 20 years, and women also earn around 18% less than men on average.

In some regions, unemployment reacts poorly to new vacancies, indicating that jobseekers' profiles do not apply to the jobs on offer and suggesting a potential skills mismatch rather than insufficient demand. It is interesting to note that where the number of vacancies was highest prior to the crisis, the decline in the vacancy rate has been most pronounced (e.g. Pilsen, Pardubice and Prague regions). The share of hard-to-fill vacancies also decreased from 2007 to 2010.

Figure 1.3. **Job vacancy rate by region, 2007 and 2010 (%)**

Note: The job vacancy rate is calculated as the number of job vacancies in relation to job vacancies plus the number of employed people.

Source: Czech Statistical Office, Labour Force Survey, [http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola\\_id=13&expand=1&](http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola_id=13&expand=1&).

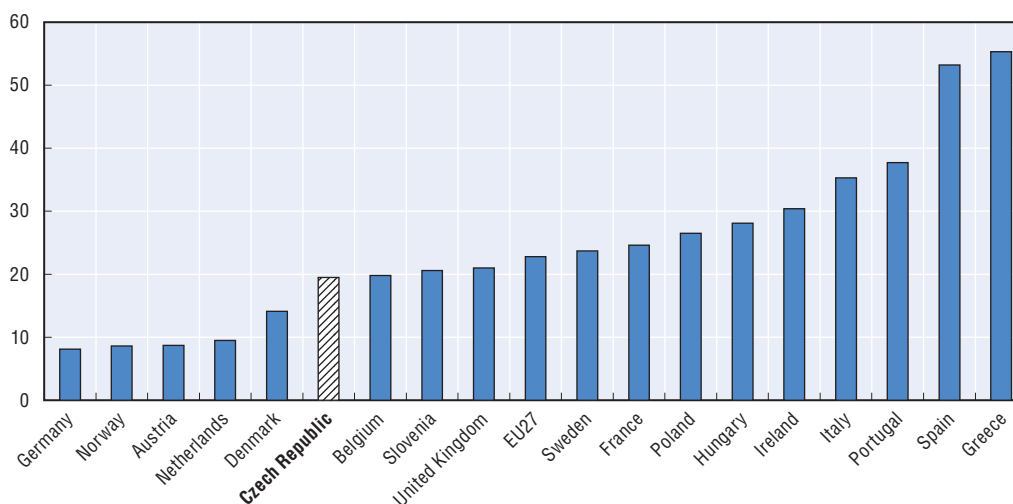
The quality of human resources is recognised as a limiting factor for economic growth. Despite the modernisation of technology in the workplace, Czech workers spend 20% more time at work than the EU15 average. One hour of Czech labour costs slightly less than 20% of the EU15 average. Lower wage costs are accompanied by low labour productivity (62% of the EU15 average) which tends to outweigh the comparative advantage (Potùèek, 2005). The downturn has led to a decline in labour productivity rather than in employment – over 70% of the drop in GDP between Q2 2008 and Q2 2009 translated into a fall in labour productivity. The average person earns less than the OECD average (USD 16 614 a year, compared to USD 22 387).

Youth unemployment is a growing concern in the Czech Republic. A booming economy, shrinking cohort sizes of young people, and a rapid expansion in school and post-secondary education enrolment have largely kept Czech youth unemployment levels low. However, the financial crisis has led to less favourable economic conditions and a rapid increase in youth unemployment. While youth unemployment increased more than it did in most European countries it still remains below the EU average (19.5% compared to 22.8% – see Figure 1.4). There is a smaller number of NEET (not in education, employment or training) youth at 8.9% compared to 13.2% in the European Union (2012).

### **Educational profile**

The Czech Republic invests much less public funding in education than most developed countries. Among OECD countries for which data are available, the Czech Republic ranks among the lowest in terms of the amount of public resources devoted to primary, secondary and post-secondary non-tertiary institutions, with about 2.5% of GDP and 6.1 % of total public spending (Santiago, 2012). It performed slightly below average in the 2009 OECD PISA study in all three test areas – reading, mathematics and science, and trend analyses of results have shown a serious decline in student learning outcomes.

Figure 1.4. Youth unemployment rate in selected European countries, %, 2012



Source: Eurostat 2013a, Labour Force Survey, [epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_ifs/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/database).

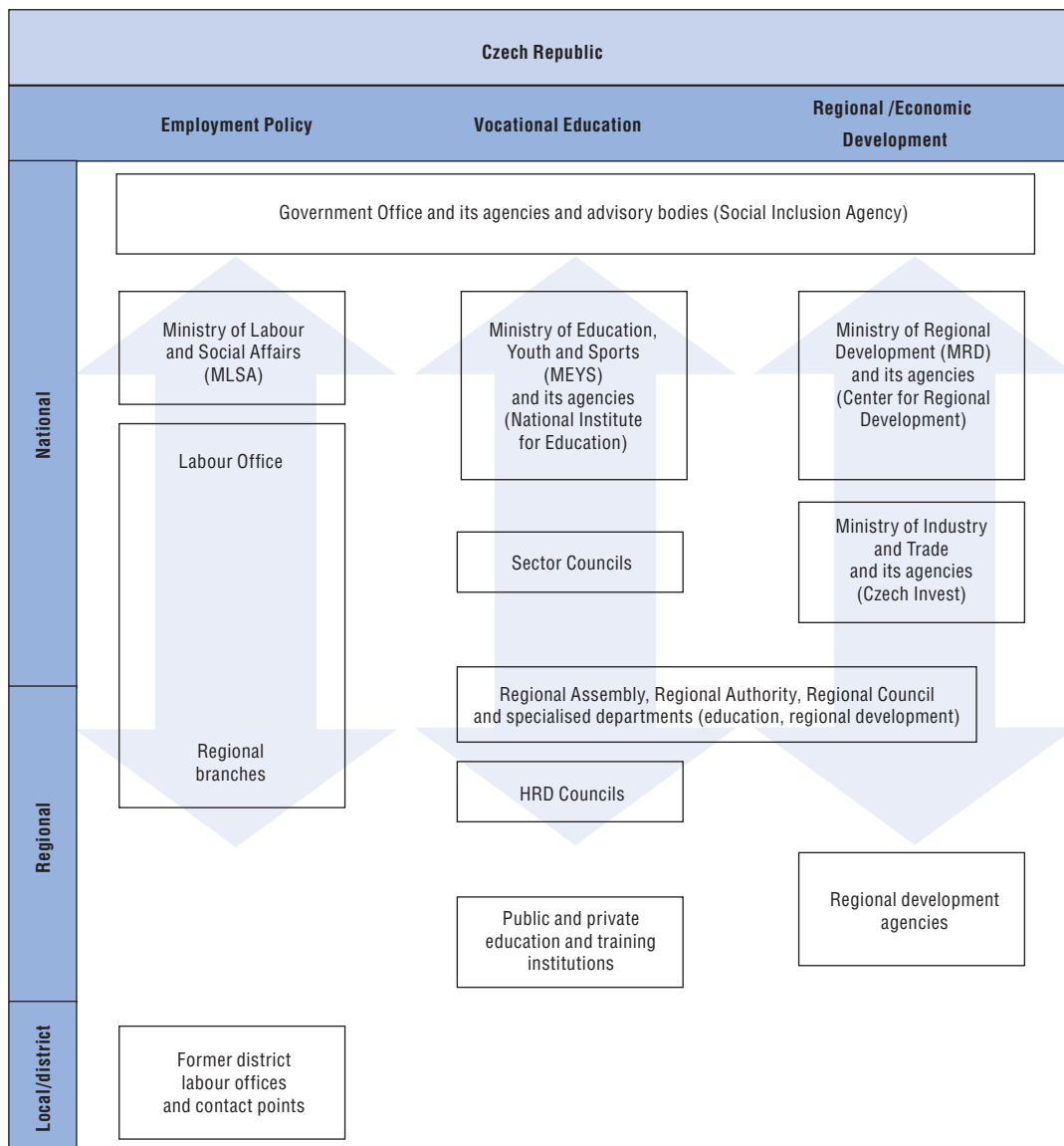
However, the Czech Republic has one of the lowest dropout rates across the OECD. Only 6% of 25-34 years-old have not completed upper secondary education, compared to 19% across OECD countries (OECD, 2012b).

Furthermore, the participation rate in upper secondary education is one of the highest among OECD countries – in 2011, 90% of 15-19 year olds were in education. 92% of adults have earned the equivalent of a high-school degree, notably higher than the OECD average of 74%. Among younger people, 94% of 25-34 year-olds have earned the equivalent of a high-school degree, also higher than the OECD average of 82%. Men have a higher rate of educational attainment than woman – 94% of men have completed secondary level education compared to 88% of women. However, low numbers of students continue into tertiary education after completing secondary school by international comparisons, although increasing enrolment rates imply that the situation is gradually improving (Santiago, 2012). The proportion of adults aged 25-64 who had attained tertiary education was 17%, against an OECD average of 31%. This proportion was 23% for adults aged 25-34, against an OECD average of 38% (OECD, 2012d).

Some regions perform better than others in terms of educational attainment. Prague has the highest proportion of people with tertiary education (ISCED 5 and ISCED 6) and between 2002 and 2011, this increased significantly (from 28% to 38%). At the opposite end of the spectrum are Karlovy Vary and Ústí nad Labem regions, which have the highest proportion of people with primary education (ISCED 0-2). People with less than upper secondary level of education have a significantly higher unemployment rate than the OECD average (22.7% compared to 12.5% for 25-64 year olds) suggesting that being low skilled in the Czech Republic leaves people particularly vulnerable to joblessness. In contrast, those with tertiary education are much less likely to be out of work than the OECD average (2.5% compared to 4.7%), which would indicate that third level graduates are highly sought after (OECD, 2012d).

## Overview of policy context in education, employment and regional/economic development

Figure 1.5. **Czech institutional arrangements in employment, VET and regional/economic development policy**



### **Regional development structure and policy**

The Czech Republic is divided into 14 self-governing regions (NUTS 3) and 6 253 municipalities. The regions are also grouped into eight Cohesion Regions (NUTS 2) for the administration of EU Regional Operational Programmes and the collection of statistical data. The following operate in the 14 regions:

- the **Regional Authority** (*krajský úřad*) operates in each region and is responsible for state administration in the region. One of its departments deals with education, youth and sports and its main tasks include developing a regional plan for the education system.

The regional authority allocates resources from the state budget to schools to cover staff wages and direct educational costs.

- the **Regional Assembly** (*Zastupitelstvo kraje*) is elected by citizens and has decision making power. It has nine to 11 members. The assembly is obliged to form a commission for education and employment, which determines the number and structure of schools, their educational provision, funding and quality.
- the **Regional Council** (*Rada kraje*) is elected by the Regional Assembly and has executive power. It is headed by a regional governor (*hejtman*). It forms expert commissions which serve as advisory bodies, one of which is normally concerned with young people and education.

Both national and regional authorities are responsible for regional development in the Czech Republic. The Ministry of Regional Development is the national coordinator of regional development and provides the general framework for the implementation of regional policy in the country, setting out policies for promoting social and economic cohesion, strengthening competitiveness and development. Regions are governed by Regional Authorities and have quite a high degree of independence from national government.

The Regional Development Strategy (RDS) is prepared by the Ministry of Regional Development and sets out the main objectives and actions for regional policy. In accordance with the subsidiarity principle, the Regional Development Strategy is implemented at the local level and activities are funded by national and regional development plans and EU co-financed Structural Funds. The RDS sets out the strategic objectives for regional development, defines criteria for state support and also makes recommendations on issues to be addressed.

The government has approved a new RDS for the period 2014-2020. This strategy is based on the four pillars of growth: promoting regional competitiveness; promoting territorial cohesion; promoting environmental sustainability; and, developing public administration and promoting cooperation among stakeholders. The new strategy widely recognises the importance of human resources and quality jobs for productivity and competitiveness. At least six proposed measures under two priority areas (Regional Competitiveness and Territorial Cohesion) have close links with local job creation. These priority measures are assigned to corresponding ministries and self-governing authorities together with a set of indicators which will be periodically evaluated.

The 14 self-governing regions have a crucial role in setting regional policy in the Czech Republic. Regions have their own budgets, coordinate their own development programmes and design, implement and monitor programmes. At the same time, regions assess intra-regional disparities, distribute public funds to promote development and extend assistance to municipalities and other territorial entities. Every self-governing region prepares and adopts its own development programme according to the Act on Regions and the Act on Promotion of Regional Development. Nevertheless, recent administrative reforms by the central government have significantly reduced some responsibilities held at the regional level. Although self-governing regions play a role in developing their territories (mainly as mediators, initiators or coordinators), the decisive factor is still whether they can fully implement their own proposed strategies in a context of restricted budgets (OECD, 2009).

Another actor at the regional level are the Regional Development Agencies (RDAs). They began to emerge in the Czech Republic in the early 1990 in regions with less

favourable economic situations. They became important players because regional self-government did not yet exist and they were considered as one of the main regional institutions for pre-accession to the EU. When regional self-government was established in 2001, they took responsibilities from RDAs, pushing many RDAs into a commercial mode of operation (Ježek, 2006). There is no single model of regional agencies and they differ in terms of their legal form, structure, activities and financing. Their activities include processing development documents, consultancy, regional promotion work, cooperation with foreign partners, and the management of tourism, infrastructure, rural and human resource development (HRD) projects.

Finally, another important body at the regional level are the Regional Councils for Human Resource Development. These Councils serve as advisory bodies to the Regional Authority and were set up after the release of the National Strategy for Human Resource Development in 2003. From 2008-12, there were 12 regional councils operating in most regions. They are voluntary bodies and each operates differently with no requirement to meet national criteria. Some regions focus closely on education and training issues, while others may take a broader approach and advise on job creation and innovation. Council members usually include representatives of the local government and regional authorities, the Labour Office, chambers of commerce, industry associations, training institutions, and universities. Many HRD councils were incorporated into regional authorities as advisory committees which brought stakeholders closer to regional decision-making but also made them more exposed to political cycles.

### **Employment policy**

The Czech Public Employment Service (PES) was established in 1991 when the Czech and Slovak Federal Republic transitioned to a market economy.<sup>1</sup> Employment policy is regulated primarily by the Employment Act introduced in 2004, which provides the framework for passive and active labour market policies. Other important legislative acts include the Law on Labour Office, the Labour Code, and other regulations on minimum wage, state social support and health insurance. The Employment Act places a greater emphasis on “enforced participation” to increase obligations on the unemployed to accept a job.

There have been significant reforms of labour market structures from 2008, driven primarily by fiscal pressures and an austerity agenda. Public employment services in the Czech Republic underwent an essential transformation from a two level decentralized model to a centralized structure.

Table 1.1 outlines of the structure of the system pre and post-reform.

**Table 1.1. Public Services: Pre and post reform**

Employment policy	
PRE-REFORM	<b>Ministry of Labour and Social Affairs (MLSO) (strategy)</b> Employment Service Administration of the MLSO (management) 77 district labour offices <sup>1</sup> and 167 detached workplaces
POST-REFORM	<b>Ministry of Labour and Social Affairs (strategy)</b> Labour Office – Directorate General (management) 14 regional branches and their contact points

1. 14 of the 77 district labour offices were designated “authorised labour offices”. They acted as intermediaries between the Ministry of Labour and non-authorised labour offices.



Before the reforms were put in place, 77 district labour offices operated under the Employment Service Administration within the Ministry of Labour and Social Affairs. The Employment Service Administration (ESA) developed active labour market policy plans for each district office and issued detailed annual guidelines on how to target active labour market policies. Each district labour office enjoyed a high level of independence in how it managed activation policies. Offices had to have their budgets approved by the Employment Service Administration but were able to set their own eligibility criteria, and develop their own internal guidelines when selecting which jobseekers should participate in programmes.

Fourteen of the 77 labour offices (one in every region) were “authorised” labour offices. They acted as an intermediary between the Ministry of Labour and non-authorised district labour offices. These district labour offices operated 167 detached workplaces which were contact points aimed at bringing employment and benefit services closer to the individual – although some only provided state social support benefits.

In the current system (post-reform), a Labour Office was created as a single body for public employment services under the Ministry of Labour. Under this body, there are 14 regional branches which are responsible for the execution of employment policy and benefit payments. The Ministry of Labour and Social Affairs has a number of functions including monitoring current and future skill needs, financing, preparing ALMP strategies and programmes in cooperation with the Labour Office (and other stakeholders). In the new architecture, the former district labour offices and their detached places are local contact points of the regional branches.

The former district labour offices (which are now contact points) administer social benefits, which was transferred to them from municipalities (along with 1 700 staff). They offer a broad range of employment services including referral and counselling, re-training, placement and job subsidies, as well as administer benefit payments, operating as a “one-stop-shop”. The former contact points continue to distribute unemployment benefits and/or register the unemployed. The changed governance structure has strengthened the regional level and reduced the decision making capacity of the district labour offices, which now administer policies under the regional level branches.

The employment reforms were carried out for a number of reasons. Introduced under the National Reform Programme, they sought to fulfil the objectives set out in the EU Lisbon Strategy and create a more modern and flexible labour market. This has been accompanied by other labour market measures designed to drive up employment rates, such as creating stronger incentives for low qualified individuals to accept a job and stay in work, and placing a greater focus on the integration of the disadvantaged into the labour market. The reforms also lifted the obligation requiring employers to notify the PES of vacancies. The reforms reduced the influence of district labour offices because a number of concerns were expressed that these offices held “too much power” and caused an uncoordinated approach to certain activities and policies (Kalužná, 2008).

The Research Institute for Labour and Social Affairs (RILSA) acknowledged that while the flexibility granted to local labour offices allowed them to take timely actions in response to local needs, targets were not quantified and labour offices received little guidance in terms of the prioritisation of employment policies (Kalužná, 2008). Thirdly, there appeared to be difficulties in the relationship between the Ministry of Labour and Social Affairs and district labour offices, with political decisions taking precedence and

local priorities overriding national objectives. A report by Masaryk University claimed the offices had too much independence which could bring about fragmentation of labour market policy, lack of accountability as well as unclear formulation of objectives and tasks (Masaryk University, 2003 in Kalužná, 2008).

There are relatively few descriptions or analyses of the new PES.<sup>2</sup> The transformation has been widely criticised by social partners – especially trade unions (e.g. see Czech-Moravian Confederation of Trade Unions, 2011), PES experts (e.g. Parlamentni, 2012), local partners as well as independent observers for being ill-conceived, poorly implemented and lacking sufficient analysis of the impact. The reforms have also faced criticism for bringing about a reduction in the number of staff working on activation in order to make way for transferred staff from the municipalities – representing around 20% of the current staff.

### **Skills policy**

The skills agenda at the national level is divided into the individual agendas of different ministries (the Ministry of Education, the Ministry of Labour, the Ministry of Interior, and the Ministry of Industry and Trade) and is usually embedded in the human resource development aspects of different sectoral policies, often emphasising the need for better skills matching with labour demand. At the national level, there is no representative advisory body concerned with human resource development that could serve as platform for information sharing, and the coordination of all relevant actors. Between 2003 and 2006 there was the Government Council for Human Resource Development, which was created as a result of implementation of the national Human Resources Development strategy (see Box 1.1). The Council was designed to ensure cooperation between central government, local authorities, employers' associations, trade unions and other actors in the field of Human Resources Development.

#### **Box 1.1. Human Resource Development Strategy, Czech Republic**

The Human Resource Development Strategy was prepared in 2000 in response to the opportunities and risks that emerged after accession to the EU, and it addressed strategic human capital issues. It can be considered to be a national skills strategy. It included forecasts of global and national skills challenges in the Czech Republic. The main strategic objective was to achieve the highest possible level of competitiveness, raise the future employability of Czech citizens, and make it an attractive destination for domestic and foreign investors.

In 2001, an implementation plan was released and the central and regional levels proposed ways to manage and co-ordinate the strategy. The most important proposals were to establish the Council for HRD at the national and regional level, putting in place specific measures for linking employment, education and business. The implementation plan also sought to improve labour market forecasting and develop a methodology to strategically manage skills at the regional level. In 2003, an updated version was adopted by the Government and a year later the newly established Government Council for HRD commissioned the development of an Implementation Programme (adopted in 2005). There has been no follow up since the development of the implementation plan.

Source: Government Office (2003), *Human Resource Development Strategy for the Czech Republic*, [www.esfcr.cz/modules/download/file.php?rew=/1291/Strategie\\_RLZ.pdf](http://www.esfcr.cz/modules/download/file.php?rew=/1291/Strategie_RLZ.pdf).

The Ministry of Industry and Trade plays a role on the skills agenda mainly on the demand side. It sets, manages and executes priorities linked with innovation, research and investment activities which increase the demand for skilled labour. For example, together with the Ministry of Labour, it has administered investment incentive programmes which contain job creation and retraining subsidies since 1998. It also manages CzechInvest (the agency which supports small and medium – sized Czech companies), the knowledge economy and investments in innovations, and the development of human resources for competitiveness in selected areas. It administers several EU programmes aimed at creating infrastructure for training employees or enhancing qualifications and the skills of employees and employers.

### **Education and training policy**

The Ministry of Education, Youth and Sports (MEYS) is the main body responsible for education at the national level. Its key responsibilities include the development of national education strategies and priorities; developing curricula policy and monitoring the quality of education; co-ordinating public administration and funding. In 2001, public administration was decentralised and the operational responsibility for initial education (except higher education) was shifted from the central government to the 14 regions. Three main bodies at the regional level (the regional assembly, regional council and regional authority) play a role in shaping and implementing education and training.

There have been wide ranging reforms in the education system in recent years with the intention of improving the system. This includes setting up a new qualification system, introducing a new standardised exam in upper secondary school, launching a major new adult education initiative, and new tools to improve career guidance (Kuczera, 2010). Autonomy for schools has been extended and school directors now hold significant powers. They are responsible for preparing and implementing school curricula based on approved national curricula.

Vocational education has a long tradition in the Czech Republic and accounts for almost three quarters of secondary level education. There are two main upper secondary VET programmes:

- Technical education is a four year programme leading to the *maturita* exam which prepares students either for tertiary education or the labour market.
- There is also a three year apprenticeship (with some two and four year programmes) which provides access to the labour market but it does not allow for transfer into tertiary education. Apprentice graduates may take two year follow-up courses that lead to the *maturita* exam (Kuczera, 2010).

There has been a gradual decline of interest in secondary vocational education (particularly without the *maturita*) and fewer people are selecting the apprenticeship pathway. It is considered to be a “second-choice” education and graduates who do not take the *maturita* are particularly vulnerable to unemployment. This is supported by studies which have concluded that apprenticeship training fails to provide the skills increasingly required in the modern labour market and that the basic skills of 15 year old students in apprenticeship programmes are weaker than those of technical education students (Kuczera, 2010).

### *Continuing education and training*

Until recently the area of continuing education remained divided between the Ministry of Labour and Social Affairs and the Ministry of Education which led to overlapping agendas. In 2009, an inter-departmental agreement on continuing education at the national level was reached. According to the agreement, the Ministry of Education is responsible for continuing education (e.g. legislation, planning and strategies, financial design, and quality assurance), while the Ministry of Labour and Social Affairs has a role in retraining programmes which are one of the key active labour market policy measures.

Participation rates in continuing education among the 25-64 year old population are lower than the EU average (37% compared to 41%) (Eurostat, 2013b). Moreover, continuing education lacks coordinated systematic supports such as incentives to increase participation rates or tax benefits for employers and individuals. Continuing VET can be provided within the school system with the same structure and pathways as initial education. Provision is generally based on the free market or special programmes directed by individual departments (e.g. retraining within PES or sectoral statutory trainings) where a certificate is awarded upon completion, but no qualification level is achieved.

For continuing education leading to the acquisition of a qualification level, it is provided within the formal school system and there is no distinction made between initial and continuing education. Education and training not directly leading to a government-regulated qualification level is regarded as non-formal VET. It is possible to take a series of examinations and apply for recognition of qualifications acquired within the non-formal continuing education system.

A common database of knowledge, skills and competencies is being developed and closely reflects labour market requirements – containing descriptions of occupations and jobs: the National System of Occupations (NSO) and the National Register of Vocational Qualifications (NRVQ). These databases are being developed along with Sector Councils – a relatively new type of actor operating nationwide which assists in defining occupations and qualifications. Continuing vocational education programmes should respond directly to the requirements set at the national level for various occupations and jobs in the National System of Occupations or the requirements set by approved standards in the National Register.

### **Notes**

1. Sirovátka notes the distinct employment policy features in post-communist countries as a result of their specific forms of governance and implementation conditions (2008). She highlights that in post-communist countries there tends to be a deficit of resources (both personal and financial) as a result of significant public sector cuts during the transformation periods to capitalism. This is also a legacy of communist governance systems which can be described as “centralistic and bureaucratic”. Another common characteristic is the strong subordination of public administration to political decisions and a lack of experience with new public management (Sirovátka, 2008).
2. Recently the “Conception of Employment Policy 2013-2020” has been prepared by the MLSA and it states that an evaluation of recent PES reforms is needed.

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## Chapter 2

# Overview of the Czech Republic case study areas

*To better understand the role of the local level in contributing to job creation and productivity, this study examines local activities in two Czech regions: 1) Ústí nad Labem; and 2) South Moravia. This chapter provides a labour market and economic overview of each region as well as the results from an OECD LEED statistical tool which looks at the relationship between skills supply and demand at the sub-national level. Both areas have different local economies and labour market characteristics. Ústí nad Labem has historical industrial roots in mining and industrial production but in recent decades it has struggled to keep up with changing economic demands of the knowledge economy. South Moravia has a stronger regional economy and is the centre of the engineering industry as well as clusters of food, IT, chemical and pharmaceutical industries.*

## The regions

In-depth field work was undertaken in two regions in the Czech Republic: Ústí nad Labem (the Usti Region) and South Moravia (see Figure 2.1). The two case study areas face different challenges in terms of employment, economic development, job creation and skills demand and supply. This section of the report provides an overview of the key trends in each region to help contextualise their labour market challenges and opportunities.

Figure 2.1. **NUTS 3 regions of the Czech Republic**



Source: South-East Cohesion Region (2013), [www.jihovychod.cz/en/rop-south-east/south-east-cohesion-region](http://www.jihovychod.cz/en/rop-south-east/south-east-cohesion-region), accessed August 2013.

### **Ústí nad Labem Region**

The Ústí nad Labem region is located at the north-western part of the Czech Republic where it borders with the Saxony region in Germany, and it covers 6.8% of the country surface area. The Ústí nad Labem region consists of seven districts (Děčín, Chomutov, Litoměřice, Louny, Most, Teplice and Ústí nad Labem). In addition, there are 354 municipalities (58 have town status) which are divided into 16 municipalities with extended powers and 30 municipalities with authorised municipal office. 79.7% of the population is urban (2011).

Ústí nad Labem has 836 000 inhabitants and is the fifth largest region in the country. The city of Ústí nad Labem is the regional capital and has nearly 100 000 residents. In 2010, the region accounted for 6.6% of Czech GDP. GDP per capita is lower than the national average (83.4% of the national average). The region has a more favourable age structure



Figure 2.2. Ústí nad Labem Region: Administrative districts



Source: Labour Office (2013), "Report on the situation of the regional labour market, the implementation of the ALMP in 2012 and ALMP strategy for 2013", Ústí nad Labem, [http://portal.mpsv.cz/upcr/kp/ulk/informace/atp\\_up/ulkraj1303.zip](http://portal.mpsv.cz/upcr/kp/ulk/informace/atp_up/ulkraj1303.zip).

than other regions – the average age is 40 – but also has one of the highest mortality rates in the country. Ústí nad Labem has a relatively large number of socially deprived localities and minority groups, particularly Roma.

The region has good road and rail links and a favourable location on the transport corridor leading from Berlin via Prague to Vienna. Together with the Elbe waterway, this is considered to be an important factor for the future economic development of the region. The Euroregion Elbe/Labe was established in 1992 to promote development and cooperation across national borders in areas such as urban and regional planning, the environment and the economy. However, Ústí nad Labem's strategic location is undermined by the fact that its neighbouring areas are in former East Germany, which have higher unemployment, and the Karlovy Vary region which is the economically weakest Czech region.

Ústí nad Labem's economic structure has deep historical roots in mineral wealth. The region has a tradition of strong industrial production, mining and quarrying. Nonferrous metals, especially tin and copper, were panned and mined in the Ore Mountains and since the 19th century extensive seams of brown coal were found under the surface. Brown coal basins extend from Ústí nad Labem to Kadaň and the region is also an important supplier of glass, foundry sand and crushed stone. Key sectors in the region include fuel and energy, metallurgy, chemistry, engineering and glass.

Businesses in these fields have highly automatised production – due in large part to foreign investors who have invested in modern technology – new control methods and new markets. There are four research institutes in the fields of inorganic chemistry, glass, coal and hops and as well as a number of private companies researching areas such as surfactants, resins, hardeners and thermosets.

The region is diverse and can be broken down into four areas in terms of economic specialisation, social structure and environment:

1. Basin area – There is a high population density within this area, which specialises in mining and includes the districts of Chomutov, Most, Teplice.
2. Industrial area – These are the districts of Ústí nad Labem and Dièín which are dominated by diversified industrial manufacturing (chemical, mechanical, automotive, textile and food industry).
3. Factory-farming area – It covers the districts of Litomìøice and Louny with a specialisation in fruit, vegetables, wine, and cereals. Over the past 15 years, there has been a significant decline in employment in agriculture and industry now provides the most employment opportunities.
4. Ore Mountains – These are districts close to the Czech-Saxon border and the area is a sparsely populated mountain range.

### **South Moravian Region**

The South Moravian region lies in south-eastern Czech Republic, bordering Austria in the south and Slovakia in the east. By area and population, it is the fourth largest region in the Czech Republic. About one million (1 166 000) inhabitants live in the region, with foreign inward migration contributing significantly to its positive population growth. The region is comprised of seven districts (Blansko, Brno-City, Brno-Country, Bøeclav, Hodonín, Vyškov and Znojmo) and is further divided into 21 administrative districts of municipalities with extended powers and 35 municipalities with authorized municipal office. In total, there are 673 municipalities, of which 49 have the status of town. The regional seat is the City of Brno.

The South Moravian region has significant economic potential. Regional GDP represents one tenth of the national GDP, and GDP per capita amounted to 76.7% of the EU average (2009). The region has one of the highest life expectancy rates in the country and has an older age structure than the rest of the country – the average age of the regional population is 41.3 years (CZSO, 2012b).

Brno is the second largest city after Prague and is a hub for the region. The city of Brno is the main transport hub for road, highway and rail transport in the region and has an integrated transport system. It is the seat of many national institutions and is also an important centre of culture and higher education. There is a clear development disparity between Brno and the wider Brno agglomeration and other parts of the region. Brno and its hinterland have experienced stronger local economic development compared to the rest of the region. There is cross-border cooperation in the Euroregion Morava River which comprises regions Weinviertel, South Moravia and Western Slovakia.

The city of Brno is the centre of the engineering industry (e.g. First Brno Engineering Company, Siemens, turbine manufacturing, Zetor tractors) but Blansko, Kuøim and Boskovice are other important engineering hubs. In addition, there are clusters of food,

Figure 2.3. South Moravian Region: Administrative districts of municipalities



Source: Labour Office (2012), "Analysis of the Labour Market in the South Moravian Region in 2011", [http://portal.mpsu.cz/upcr/kp/jhm/statistiky/rocní\\_zprava\\_jihomoravsky\\_kraj\\_2011\\_-\\_internet.pdf](http://portal.mpsu.cz/upcr/kp/jhm/statistiky/rocní_zprava_jihomoravsky_kraj_2011_-_internet.pdf).

chemical and pharmaceutical industries. In recent years, information technology has become another strategic field and is one of the fastest growing regional industries. Regional innovation is the second highest in the country after Prague and has been strengthened by the intensive R&D activities of regional universities. Several development centres run by businesses (e.g. Honeywell, Siemens, FEI) came into the region between 2000 and 2006 at a time of intense foreign direct investment and contribute to R&D functions.

Traditional sectors are also present and agriculture is a key area, especially in southern parts of the region where nearly 60% of the total area is agricultural land where almost all Czech vineyards are located. The region as a whole has a strong tourism industry with a number of landscape and cultural heritage areas.

## Comparison across regions

### Labour market

In Ústí nad Labem there is a relatively large available workforce and low labour costs. The most important employers in the region include Unipetrol RPA, North Bohemian Mines, AGC Automotive Czech, Johnson Controls Automotive Components and Regional Healthcare Company – the region's largest employer. Although the region is trying to push up demand for a skilled labour force, investors still demand mainly low-qualified workers, particularly in the manufacturing sector (e.g. automotive industry enterprises in the Triangle Strategic Industrial Zone near Žatec).

Table 2.1. **Key labour market data for South Moravia and Ústí nad Labem, 2011-12**

	Ústí nad Labem	South Moravia
Population	826 764	1 168 650
People in the labour force (2011)	406 800	572 500
Share of the national labour force (2011)	7.7%	10.9%
Median monthly earnings	EUR 829	EUR 841
Unemployment rate	10.8	8.1
Employment rate	50.7	53.9
Participation rate	56.8	58.6

Source: Czech Statistical Office, regional database, [http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola\\_id=13&expand=1&](http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola_id=13&expand=1&).

In South Moravia, certain sectors were badly affected by the economic crisis and the majority of job losses occurred in manufacturing and construction. A steep rise in employment in healthcare and social care, telecommunication, transport and IT services could not compensate for the slump. Unemployment grew from around 5.4% in 2007 to just over 8.1% in 2012, slightly above the national average. In the Ústí nad Labem region, the impact of the financial crisis was spread more evenly across sectors and the recession resulted in only a limited increase of unemployment (rising from 9.9% in 2007 to 10.8% in 2012). The restructuring of the economy away from traditional sectors has provoked a continued decline in employment and Ústí nad Labem has the highest jobless rate of all regions in the Czech Republic.

In line with the national employment structure, a large proportion of the labour force in Ústí nad Labem works in manufacturing, followed by construction, and wholesale and retail trade. South Moravia also has the largest proportion of employment in manufacturing, followed by wholesale and retail trade and transportation and storage, information and communication – see Table 2.2.

Table 2.2. **Employment by industry, 2011 (NACE classification)**

NACE code	South Moravian	Ústí nad Labem	Czech Republic
Agriculture, forestry and fishing	2.9	2.9	3.1
Mining and quarrying	0.5	2.2	0.9
Manufacturing	24.2	26.9	26.3
Electricity, gas, steam and air conditioning supply; Water supply; sewerage; waste management and remediation activities;	1.9	3.5	2.3
Construction	8.2	11.3	8.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	12	10.6	12.2
Transportation and storage; Information and communication	10	9.1	9.5
Accommodation and food service activities	3.3	3.2	3.8
Financial and insurance activities	2.9	1.4	2.6
Real estate activities; Professional, scientific and technical activities; Administrative and support service activities	9.2	6.3	7.4
Public administration and defence; compulsory social security	7.3	6.4	6.6
Education	6.2	5.7	5.9
Human health and social work activities	7.9	7	6.7
Arts, entertainment and recreation; Other activities	3.6	3.4	3.8

Source: Czech Statistics Office, Labour Force Survey Czech Statistics Office, Labour Force Survey, [http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola\\_id=13&expand=1&](http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola_id=13&expand=1&).

In terms of the occupational structure of employment, the highest share of employment in both regions was in medium skilled technical and administrative occupations, reflecting the national average. This is followed by craft and related trades workers in both regions, although it is somewhat higher in Ústí nad Labem (LFS, 2010) – see Table 2.3.

Table 2.3. **Employment by occupation, 2010 (ISCO classification)**

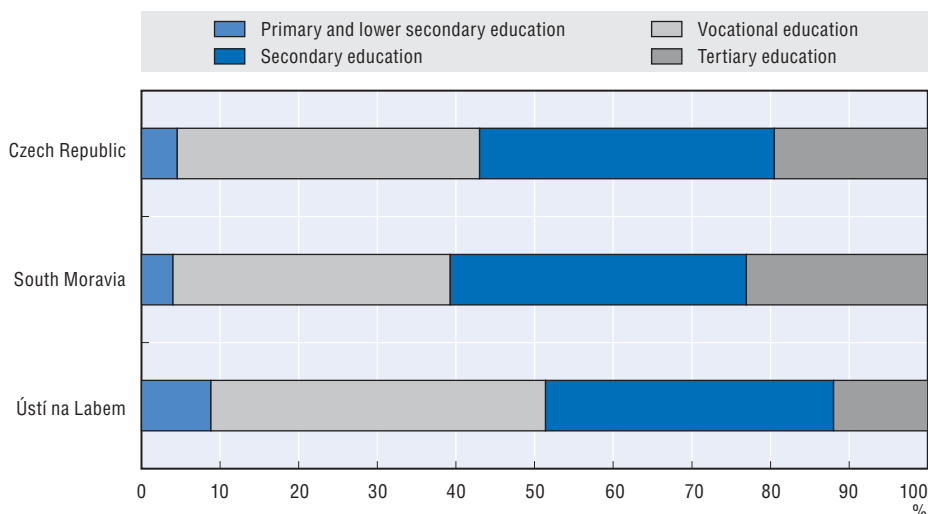
ISCO code	South Moravian	Ústí nad Labem	Czech Republic
Legislators, senior officials and managers	7.2	3	5.3
Scientists and professionals	11.8	5.2	10.7
Technicians and associate professionals and professionals in related fields	24.2	24.1	24.8
Lower administrative staff (clerks)	8.6	7.3	7.8
Service workers and shop and market sales workers	12.9	13.4	12.3
Skilled workers in agriculture, forestry and related fields (except for plant and machine operators)	1.3	1.2	1.4
Craft and related trades workers	17.1	21.6	17.5
Plant and machine operators and assemblers	10.8	16.9	13.7
Workers in elementary occupations	5.9	7.1	6.3

Source: Czech Statistics Office, Labour Force Survey

### **Educational provision and profile**

Purkyně University in Ústí city is the only university in Ústí nad Labem region but branches of other universities are also present (e.g. centres of Czech Technical University in Děčín and private universities in Ústí nad Labem, Most and Teplice). Purkyně University is not able to provide education in all fields which has resulted in a continual outflow of graduates to other regions so that they can complete their studies elsewhere. In South Moravia, there are both public and private universities mainly in Brno but also in Znojmo and Lednice. The high quality and accessibility of the higher education system have contributed to the region's above-average education profile, which contrasts with Ústí nad Labem, which has a relatively unskilled labour force.

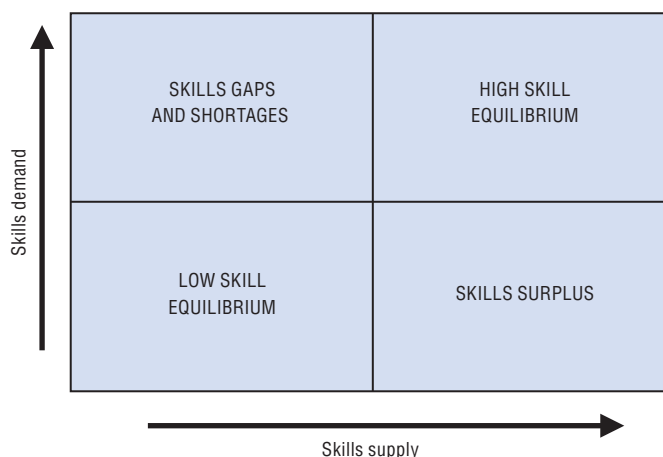
Ústí nad Labem region has one of the highest shares of workers with primary or no education (9%) in the country and the lowest share of the labour force with tertiary education (12%) (see Figure 2.4). This has not improved relative to other regions over the last decade. South Moravia outperforms the national average and there is a higher proportion of university graduates than at the national level. The educational profile has improved over the last decade, mainly due to the strong presence of Brno which is home to a number of universities. Participation in non-formal continuing education in South Moravia, however, is the lowest of all the regions (at just over 4%) and has been steadily declining from 2002 to 2011.

Figure 2.4. **Educational attainment in 2011**

Source: Czech Statistical Office, regional database, [http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola\\_id=13&expand=1&](http://vdb.czso.cz/vdbvo/en/maklist.jsp?kapitola_id=13&expand=1&).

### The balance between skills supply and demand

The LEED Programme has developed a statistical tool to understand the balance between skill supply and demand within local labour markets (Froy, Giguère and Meghnagi, 2012). In the Czech context, this tool can help to provide policy makers with an understanding of skills mismatches, which may occur at the sub-national level. It can inform place-based policy approaches at the local level by classifying regions into a high-skill equilibrium, low-skill equilibrium, skills gaps and shortages or skills surplus.

Figure 2.5. **Understanding the relationship between skills supply and demand**

Source: Froy, F. and S. Giguère (2010), "Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level", OECD Local Economic and Employment Development (LEED) Working Papers, No. 2010/13, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5km7jf7qtk9p-en>.

Looking at the figure above, in the top-left corner (skills gaps and shortages), demand for high skills is met by a supply of low skills, a situation that results in reported skills gaps and shortages. In the top-right corner, demand for high skills is met by an equal supply of high skills resulting in a high-skill equilibrium. This is the most desired destination of all high performing local economies. At the bottom-left corner the demand for low skills is met by a

supply of low skills resulting in a low-skill equilibrium. The challenge facing policymakers is to get the economy moving in a north-easterly direction towards the top-right corner. Lastly, in the bottom-right corner, demand for low skills is met by a supply of high skills resulting in an economy where what high skills are available are not utilised. This leads to the out migration of talent, underemployment, skill under-utilisation, and attrition of human capital, all of which signal missed opportunities for creating prosperity.

### Box 2.1. Explaining the diagnostic tool

The analysis is carried out at Territorial Level 3 regions (regions with populations ranging between 150 000-800 000). The supply of skills was measured by the percentage of the population with post-secondary education. The demand for skills was measured by the percentage of the population employed in medium-high skilled occupations. Regions are also classified in relation to the average state unemployment rate. The indices are standardised using the inter-decile method and are compared with the national median. Further explanations on the methodology can be found in Froy, Giguère and Meghnagi, 2012.

Source: Froy, F., S. Giguère and M. Meghnagi (2012), "Skills for Competitiveness: A Synthesis Report", OECD Local Economic and Employment Development (LEED) Working Papers, No. 2012/09, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k98xwskmur6-en>

This typology was applied to the 14 regions in the Czech Republic, including the case study regions of Ústí nad Labem and South Moravia – see Figures 2.6 and 2.7. In 2000, regions were close to the centre of the axis but equally spread among the quadrants. The South Moravian region was in the high skills equilibrium with an unemployment rate below the national average. Ústí nad Labem was between the low skills equilibrium and the skills shortages and gaps quadrants showing that the region has relatively low levels of skills supply and average levels of demand. Its level of unemployment is above the national average. In 2009, most regions were tightly clustered around the axis between the high skills equilibrium and skills surplus quadrants. It is worth highlighting that a number of regions has worsened their relative position and have unemployment greater than the national average when compared with 2000.

Figure 2.6. **Balancing skills supply and demand in the Czech Republic, 2000**

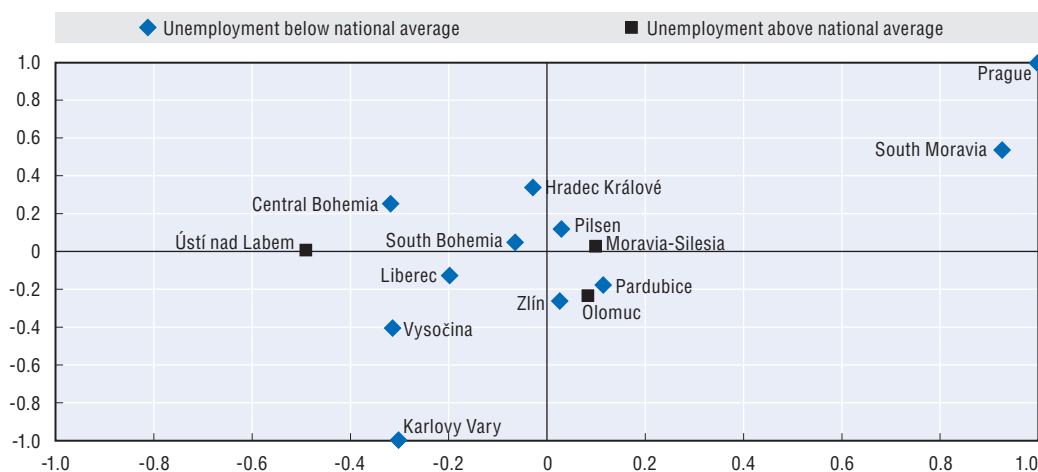
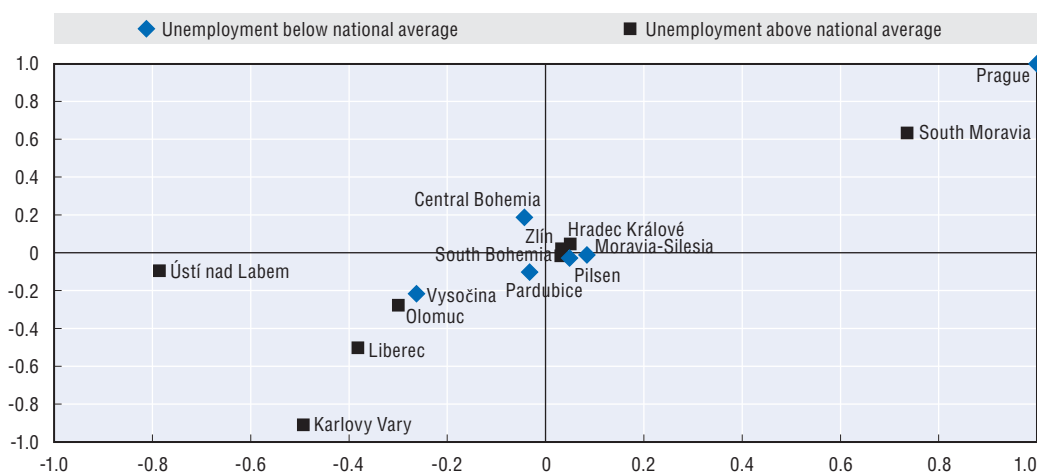
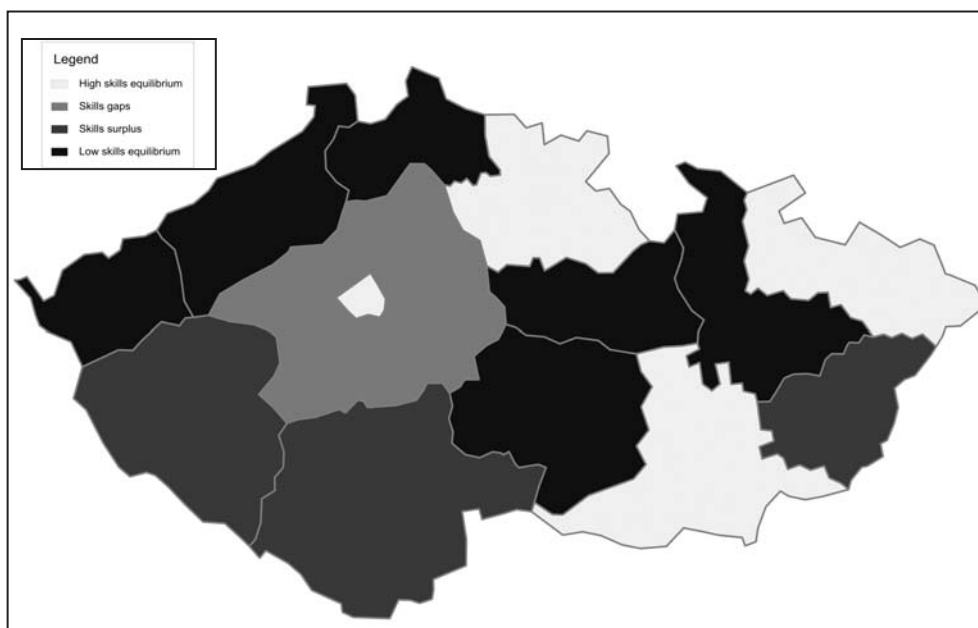


Figure 2.7. **Balancing skills supply and demand in the Czech Republic, 2009**

When mapped against unemployment rates in 2009, there was no clear relationship between the position in the quadrants and the unemployment rate. The South Moravian region is still in the high skills equilibrium quadrant and Ústí nad Labem has moved to the low skills equilibrium quadrant. Both regions have registered a relative decrease of skills supply when compared with the previous period. It is important to note that while this tool shows sub-national variations in the supply and demand of skills, it does not take into account the variations at sub-regional level. Therefore, this tool is useful when analysed in conjunction with other measurement tools.

The diagnostic tool can also be represented on a geographic map as shown in Figure 2.8.

Figure 2.8. **Geographical representation of skills supply and demand in the Czech Republic, 2009**



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## Chapter 3

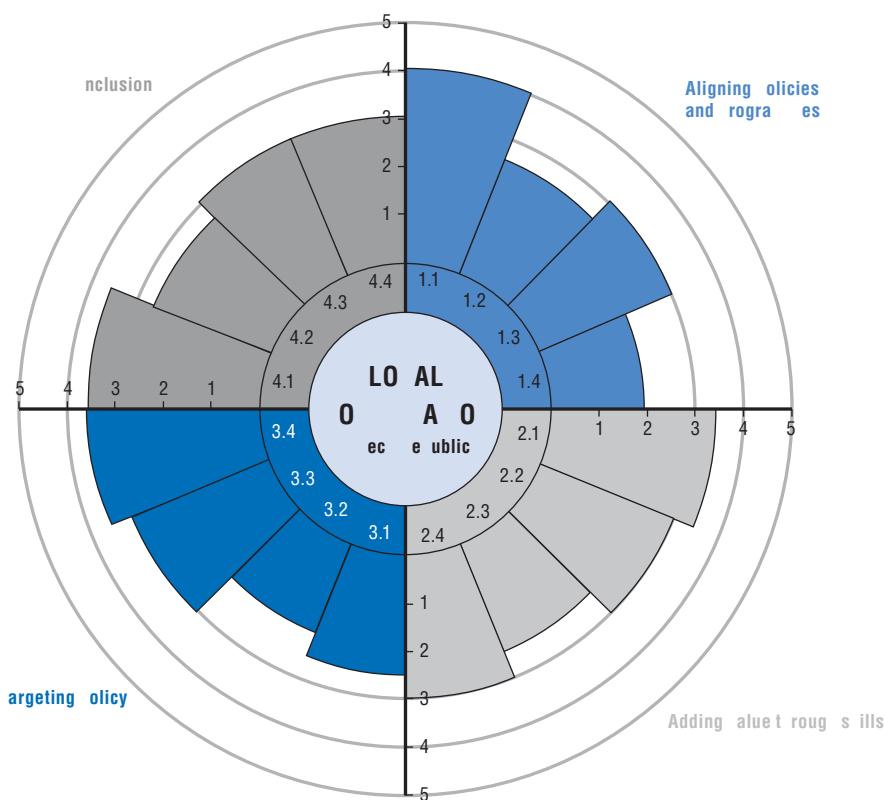
# Local job creation dashboard findings in the Czech Republic

*This chapter highlights findings from the local job creation dashboard in the Czech Republic. The findings are discussed through the four thematic areas of the study: 1) better aligning policies and programmes to local employment development; 2) adding value through skills; 3) targeting policy to local employment sectors and investing in quality jobs; and 4) being inclusive.*

## Results from the dashboard

The full results of the Local Job Creation dashboard across the Czech Republic are presented in Figure 3.1.

Figure 3.1. **Labour Job Creation Dashboard for the Czech Republic**

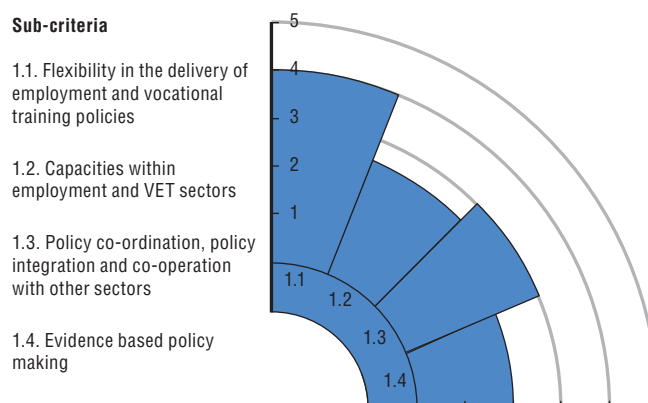


## Theme 1: Better aligning policy and programmes to local economic development

### **Flexibility in the delivery of employment and vocational training policies**

In designing strategies for local job creation, it is important that flexibility in the management framework is provided to the local level so policies and programmes can be catered to local labour market considerations. The OECD defines flexibility as “the possibility to adjust policy at its various design, implementation and delivery stages to make it better adapted to local contexts, actions carried out by other organisations, strategies being pursued, and challenges and opportunities faced” (Giguère and Froy, 2009). Flexibility deals with the latitude that exists in the political and administrative management system in the employment system, rather than the flexibility in the labour

Figure 3.2. **Dashboard results for better aligning policies and programmes to local economic development**



market itself. The achievement of local flexibility does not necessarily mean that governments need to politically decentralise. Government just need to give sufficient latitude when allocating responsibilities in the field of designing policies and programmes; managing budgets; setting performance targets, deciding on eligibility, and outsourcing services.

### ***Programme design, target groups and strategic approach***

Regional labour offices can select from a range of nationally designed activation measures which can be adjusted to local needs, which are defined in the Employment Act. The Ministry of Labour and Social Affairs issues an annual active labour market policy plan which includes general guidelines for the regional offices. These guidelines include which at risk groups should be targeted, what measures should be used and available funding. Although there is some flexibility in implementing programmes (especially within European Social Fund financed programmes) introducing a new ALMP measure at the local level requires an amendment to the Employment Act at the national level. Under ESF funding, regional offices can propose individual projects and programmes (RIPs) to meet specific local needs.

Eligibility for accessing employment services is sufficiently wide – participants have to meet general eligibility criteria as specified by the Ministry of Labour and Social Affairs. A regional individual project can outline specific eligibility criteria, while other individual factors are assessed by a PES officer. Local contact point offices follow guidelines from the regional level but only those office located in the former district labour offices provide a full range of services.

### ***Budget management***

A regional office is assigned a budget for active labour market policies based on past operations and current needs from the national budget. There is some flexibility within the budget and a regional office can move over 15% of the budget line with prior approval from the Directorate General of the Labour Office. Flexibility within budget management does not apply to operational costs (e.g. salaries, IT services, maintenance). Regional offices are expected to fully use all funds allocated from the national Labour Office or otherwise face the risk of a reduced budget the following year.

### Performance management

Performance targets are set nationally. The national Labour Office does not set specific performance goals for regional offices. Regional offices are required to report annually on progress (e.g. number of persons served by different measures, absorption of funds) to the Directorate General which reports back to the Ministry. However, they are not obliged to meet national goals and some continue to reserve the right to change their regional employment strategy according to regional rather than national priorities. Performance objectives are set according to inputs and procedures rather than outcomes.

During the OECD study visit, local stakeholders identified performance management as a major obstacle to the new employment reforms as reporting and accountability procedures have become confusing for local offices. They highlighted that tight national regulations place a focus on complying with formal procedures rather than being accountable for outcomes.

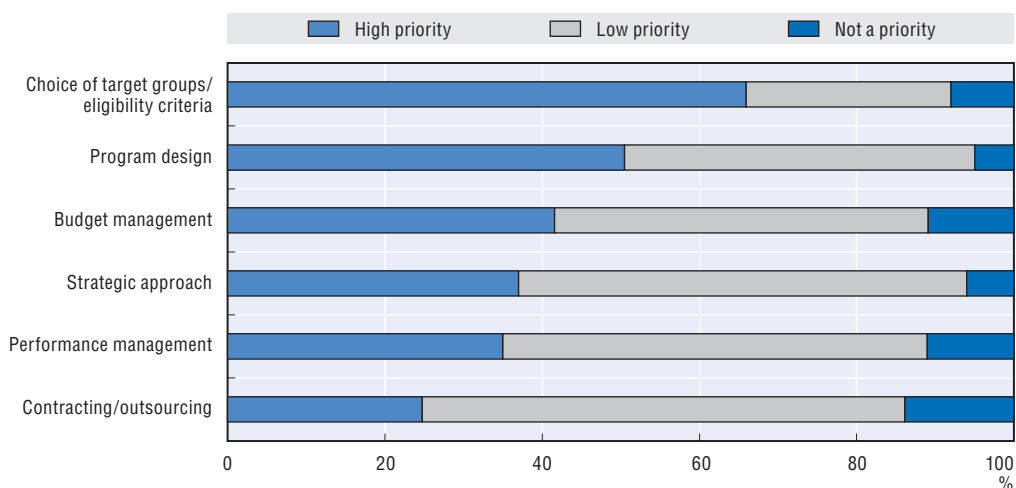
### Outsourcing

Generally, contractors have some flexibility to deliver their services as long as they produce the required outputs (e.g. the number of delivered training courses or programmes) but they are generally required to perform specified tasks within the contract. Contracting out employment services is an administrative burden since it is strictly linked to the Act on Public Procurement which is not well designed for quick and flexible contracting of small-scale services.

### Results from the OECD questionnaire

When local employment offices were asked where they would consider additional flexibility to be a priority, programme design and choosing target groups were identified as a high priority. Contracting (perceived as an administrative burden) and performance management (regarded as already flexible) were regarded as having a low priority (see Figure 3.3).

Figure 3.3. **Where flexibility is desired with public employment services**



### **Flexibility in vocational training**

There is a certain degree of flexibility in local training provision but this depends on whether it is state run or delivered by a private institution. Local colleges and training institutions select from a broad curricula which training programmes to implement locally and can also, in certain circumstances, request special training programmes to meet local needs but the approval process for a new training course can be lengthy.

A recently introduced measure as part of the reform process allows for a flexible approach to meet local training needs. Unemployed individuals can propose to their local PES office a training course for re-skilling to increase their employability, even if the course or training institution is not covered in a contract by the regional office.

### **Capacities within employment and VET sectors**

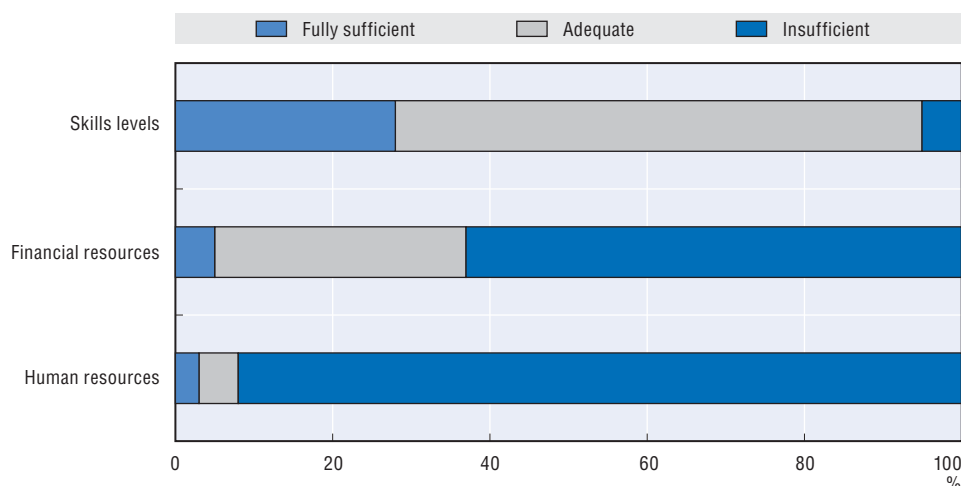
The Czech Republic allocates little to active labour market policies (ALMP) compared to many other OECD countries (only 0.07% of GDP in 2011) and this has historically been the case (Bakule, 2012) and total expenditure on this decreased by 20% due to a decline in national funding and remains lower than the pre-crisis level. The allocation for ALMP budget is discretionary although labour costs include a specific contribution for labour market policy. An increasing share of expenditure is being funded through various European Social Fund (ESF) programmes which can potentially provide high levels of funding if proposals meet project requirements. It is estimated that 70-80% of all active labour market programmes are financed by ESF programmes.

The number of regional labour office employees working on activation programmes is considered to be too low as a result of a reduction of staff. The reforms have brought about a reduction of approximately 20% of staff working on the activation programmes to make way for 1 700 staff from the municipalities, which administer benefits. This has resulted in the focus of Labour offices moving from activation to distributing passive and social supports.<sup>1</sup> Pre-reform, in 2007 there were about 1 800 placement and counselling officers, representing about one front-line worker for every 200 registered jobseekers. During the OECD study visit, local stakeholders commented that front-line officers are now overloaded and the number of jobseekers per counsellor is estimated to be more than 400, and in some cases even 700.

As shown in Figure 3.4, there is a consensus that the capacity of public employment services is hindered primarily by an insufficient number of employees rather than their skills levels. This was reflected in the OECD questionnaire where over 90% of respondents highlighted that staff skills levels were fully sufficient or adequate. Only 37% of respondents indicated that financial resources were fully sufficient or adequate, while for human resources it was only 8%. Local stakeholders during the OECD study visit commented that more continuous professional development and training for staff would be welcome. More financial resources from the ESF would do little to expand employment services unless staffing issues were also addressed.

### **Policy co-ordination, policy integration and co-operation with other sectors**

The skills agenda at the national level is currently divided into different ministries and there is no permanent coordinating mechanism. A Government Council for Human Resource Development was created in 2003 as part of the implementation plan for the Human Resources Development Strategy, and intended to ensure cooperation between

Figure 3.4. **Response received related to capacities of public employment services**

central government, local authorities, employers' associations, trade unions and other actors in the field of skills. The Council was chaired by the Deputy Prime Minister for the Economy but was abolished in 2006.

In both of the Ústí nad Labem and South Moravia regions, the main mechanism of regional coordination are the Councils for Human Resources Development (HRD), however their effectiveness and levels of activity vary from region to region. In the Ústí nad Labem region, the Council for HRD serves as a forum for information exchange, initiating joint actions and formulating proposals. In Ústí nad Labem, a regional Strategy for HRD was prepared by the Regional Development Agency for the Regional Authority, and was endorsed by the Council in 2008.

A more coherent approach to HRD management can be found in the South-Moravian region which has enjoyed notable achievements in implementing a strategic participative approach. In South Moravia, a Human Resource Development Strategy was prepared by the main university in the region and covers employment, skills and economic development issues (see Box 3.1). Awareness and better communication between stakeholders has led to joint projects such as CEITEC, FNUSA-IRC and IT4 Innovations.

South Moravia also has a permanent network for employment in the Czech Republic – the Moravian-Silesian Employment Pact – which is the first such network in the country. This pact is a strategic partnership of entrepreneurial entities, schools and other institutions in the Moravian-Silesian region. Established in 2010, it created a formal association of the Regional Authority, the Union for the Development of the Moravian-Silesian Region, the Chamber of Commerce and the Regional Cohesion Council in 2011. This pact has become a model for other regions seeking to take a similar approach. The Ústí nad Labem region has recently initiated the setting up of a formalised area partnership based on this model but during the OECD study visit, local stakeholders were rather sceptical about the impact this initiative will have on regional cooperation.

#### ***Collaboration between public, private and not-for-profit employment and training bodies***

Regional employment offices offer some integrated services and are moving towards a one stop shop model as a result of the merging of benefit administration and activation



### Box 3.1. Developing human capital in South Moravia

The Human Resource Development Strategy of the South Moravian Region (2006 – 2016) was prepared by Masaryk University for the South Moravian Region Council for HRD, the advisory body which promotes and facilitates the implementation of the strategy. The strategy contains human resource and employment analysis, and identifies regional strengths, weaknesses, opportunities and threats. The strategic vision is based on the strategic development in the South Moravian Region report which intends to promote “a high level of education with an emphasis on the preparation and use of high-quality human resources”.

The strategy seeks to promote “well-qualified, adaptable and competitive human capital in an open and effective market place, guaranteeing equal opportunities for all, using the potential of Brno as the second most important educational and innovation centre in the Czech Republic”. The strategic aim is to increase employment and overall economic growth in the region through developing an effective employment market based on:

- well-qualified, flexible and competitive human capital generated by education and the innovative potential of the region
- an effective employment policy including the subsequent introduction of equal opportunities and the integration of socially-excluded population groups whilst respecting the principles of sustainable development.

These priorities are promoted through 34 measures. The strategy is complemented by short-term implementation plans which are very specific and contain measures to deliver the main priorities (the period 2006-2008 specified 20 measures) and every measure has its own indicators. Implementation is monitored, evaluated and reflected in further planning and the plans are updated every two years.

A recent implementation plan for the 2012-13 strategy reflects recent developments in the labour market, especially the impact of the global economic crisis and unfavourable demographic developments. It also responds to the need to incorporate new strategic documents from the European or national level. It updates and redefines measures under the main priority lines proposed in the original HRDS, reducing their number to ten but describing them more in detail. For every measure, its objective, content, key actions, specific names of responsible persons, cooperating bodies, funding, indicators and impact areas are indicated.

Source: South Moravian Region (2006), Human Resource Development Strategy of the South Moravian Region, [www.kr-jihomoravsky.cz/Default.aspx?ID=42488&TypeID=2](http://www.kr-jihomoravsky.cz/Default.aspx?ID=42488&TypeID=2).

policies. The recent reforms have impacted on the extent of joint working, particularly in the employment area. In the face of reduced staff numbers and resources, additional functions and a higher numbers of jobseekers, there has been “silo-isation” of activities as staff are under increasing pressure.

Local cooperation was historically weak during communist times when localities were not encouraged to think “locally” or to cooperate with other neighbourhood institutions but to follow strict reporting requirement to the national level. Currently, it appears that there is little coordination or communication between public and private providers on the delivery of employment services and there is no shared labour market policy framework.

Following from the reform of employment services, private employment agencies have been authorised to provide services on a for-profit basis to specific target groups.

Cooperation between the PES and private agencies appears to be limited to placing more highly skilled jobseekers. The regional labour office mediates with private employment agencies to place job seekers and the target group is mainly “at risk” groups which have been out of work for more than five months.

There is greater collaboration between the PES and the not-for-profit sector, a sector which is funded mainly by European Social Funds. The sector delivers training and carries out its own projects within different grant schemes. Cooperation takes place mainly on a project-by-project basis and third sector bodies also exchange information within the Council for HRD and other advisory bodies.

Communication between employment services and vocational education and training institutions appears to be limited in both case study regions but is aided by the presence of the Councils for HRD. The regional labour office is responsible for employment policy while the Regional Authority oversees regional education/training with key decisions made by the Regional Council. There is some evidence of joint working between the employment and training portfolios in South-Moravia with information exchanged on local labour market issues such as graduate unemployment. VET training programmes and courses are delivered directly by institutions, such as schools, or are outsourced to the private sector by the PES.

#### ***Collaboration for broader regional and local economic development***

Communication between employment and economic development policies in both regions is relatively frequent. Regional economic development policy making is executed by the Department of Regional Development in the Regional Authority and the Regional Council. Collaboration with the regional labour offices occurs through participation in advisory bodies such as the Council for HRD or working groups.

#### ***Evidence based policy making***

There is limited availability of robust regional data on skills and a lack of adequate evaluation which serve as obstacles to informing labour market policies and interventions. There are two main sources of sub-national data in the Czech Republic; i) data from the Czech Statistical Office – CSZO (the quarterly Labour Force Survey) and ii) data from the PES labour offices.

CSZO data is good at the regional level but is not sufficiently representative for analysing structures within regions (detailed results suffer from higher error rates and the lower territorial units are not included) and rarely informs local programmes and strategies. LFS data is available each quarter and most other data is available on an annual basis. In the context of government cuts, there has been a tendency to reduce labour market surveys and to meet only minimum requirements from international data exchange agreements.

The PES used to collect locally specific labour market data (at the former district labour offices) and its programmes were informed mainly by this data. In the past, the former district labour offices also developed detailed databases of registered jobseekers and vacancies at the former district level and worked towards improving data collection for regional and local analyses. Indeed, a previous OECD report found that the Czech Republic had a very impressive database on education and labour market outcomes of education, describing it as “one of the best the OECD team has seen” (Kuczera, 2010).

The implementation of a new PES IT system in 2012 discontinued many of these efforts making some data at the sub-regional level less available for analysis. For example,

databases of vacancies became less reliable due to data migration, others have suffered from discontinued time series making labour market statistics less reliable and less available for analytical purposes. According to local stakeholders, it may take three to four years to get back to pre-reform levels. Nevertheless, labour offices still produce one of the best sources of regional labour market analysis via bi-annual analytical reports on the labour market situation which are made public online. PES data is available monthly, although the new IT system has slowed down its frequency.

Regional development strategies utilise regionally specific data from different sources. Such data are used for analytical purposes but the performance of programmes and policies are rarely systematically tracked which reflects the general lack of outcome-based management. There are additional sources of regionally (and in some cases locally) specific data but these only cover certain sections within a regional population. For example, graduate surveys are carried out by universities to self-assess the overall level of acquired skills of graduates and school results come from international surveys, such the OECD Programme for International Student Assessment (PISA). In both regions, employers' surveys provide some data on regional employer skills gaps and shortages. In Ústí nad Labem, the employer survey maps the number of staff and expected hires and since 2003, there has been a similar employer survey in the South-Moravian region. The surveys have potential for skills evaluations and results have already been used by the PES and the Regional Authority for planning. Skills information could be derived from the National System of Occupations but as of yet there is no such analysis.

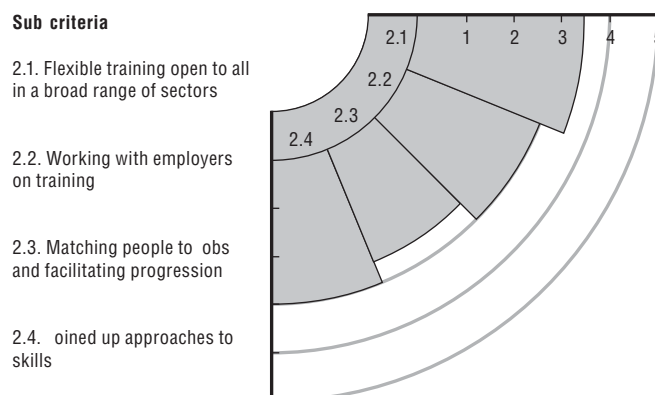
The national Labour Force Survey gives some information on travel-to-work rather than administrative areas (suggesting that there is little commuting to neighbouring regions) but there is scope for more accurate and up-to-date information on travel-to-work areas to be retrieved from the census data collected.<sup>2</sup> There is joint working and cooperation across local administrative boundary areas based on inter-regional agreements (e.g. between Usti and Liberec regions and Zlín and Vysočina regions). This involves issues such as the funding of cross-border public transport, joint projects and regular exchange of information (bilateral or within the Association of Regions). There is also international cross-border cooperation with neighbouring German regions (Saxony Region) in Usti and neighbouring Austrian regions in the case of South Moravia.

### ***Evaluation data and impact***

In both regions, there is limited evaluation carried out on employment policy implemented by the PES. The absence of outcome-based management processes has resulted in a low evaluation culture and there is limited demand for evaluations generally. Existing evaluations are usually reduced to simple monitoring exercises (e.g. counting programme participants and reporting expenditures). There are some evaluations on the net effects of ALMP interventions on the labour market situation. For example, in 2003, the Research Institute for Labour and Social Affairs carried out an evaluation of ALMP programmes in the Bøeclav locality, South Moravia, which combined qualitative and quantitative methods of quasi-experimental design for the assessment of net effects, but this had no influence on ALMP implementation. In the Ústí nad Labem region, the Regional Authority analyses policies based on available regional data but does not evaluate the projects and programmes in place.

## Theme 2: Adding value through skills

Figure 3.5. Dashboard results for adding value through skills



### **Flexible training open to all in a broad range of sectors**

Generally, vocational courses are affordable to the majority of local residents and have little unsatisfied demand, mainly due to the fact that there is little demand overall for training – especially for courses that are not subsidised. People are not used to investing in training after they finish school and firms have no incentives to invest in training for staff. The majority of training courses are public and subsidised. There is a weak link between government regulated compulsory education and continuing education which is predominantly free market based. Skills acquired are increasingly assessed and certified. Most public courses and programmes (e.g. PES retraining, after-hours training programmes at schools) are linked to the National Register of Vocational Qualifications (NRVQ) which provides recognised certification (see Box 3.2). Courses developed on a commercial basis by various public or private providers are not usually linked to the NRVQ as they intend to meet specific demand from firms or individuals.

#### **Box 3.2. National Register of Vocational Qualifications**

The National Register of Vocational Qualifications (NRVQ) is a publicly accessible register of all recognized vocational and full vocational qualifications, and their qualification and assessment standards. It promotes the national objective to create open lifelong learning and qualification standards. It is also designed to promote recognition and the validation of non-formal learning. The NRVQ can be used by people to have the knowledge and skills they have acquired through work, courses or self-study recognised. More and more schools in both regions are authorised to recognise informally gained skills and the most demanded skills recognition include sectors such as personal services, construction or public administration.

Its preparation started at the same period as the preparation of the Act on the Recognition of Continuing Education Outcomes in which the NRVQ is anchored. The NRVQ has been developed through a series of projects funded by the ESF since 2005 and is planned to be completed in 2015.

Source: National Register of Vocational Qualifications (2013), “Qualification standards for partial qualifications”, [www.narodnikvalifikace.cz/qualificationStandards.aspx](http://www.narodnikvalifikace.cz/qualificationStandards.aspx).

### ***Access to relevant training for workers and the unemployed***

Vocational training is accessible for both jobseekers and employed workers. Subsidised training for jobseekers (called retraining) is managed by the regional LO branches and provided by tendered agencies. Most of it (up to 80%) is short-term (up to three weeks). Retraining is used to overcome structural mismatches and open new employment opportunities for jobseekers. It takes place on the basis of an agreement between the labour office and the jobseeker which covers the cost of a training course and also may cover associated costs (e.g. meals, travel fares, overnight board, and insurance). After five months on the unemployment register, an Individual Action Plan is developed for every jobseeker which contains various services including access to subsidised training. The training depends on demand and availability (e.g. what type of training courses have already been tendered and which projects are running), uptake in past courses, and individual effort as jobseekers can choose a training provider.

To upskill/reskill those in employment, the Ministry of Labour runs a number of key projects:

- Get Trained for Growth! is aimed at up-skilling employees in SMEs in specific sectors of engineering, construction, retail, social services and waste management sectors (see Box 3.3). It is administered through local labour offices.
- Get Trained for Stability is another national programme and is very similar to Get Trained for Growth! It is a measure through which employers who have been badly affected by the economic downturn can up-skill their employees.
- An “employee re-skilling” measure is targeted at vulnerable groups (e.g. over 55 years of age, youth, women). Demand from workers is low and there is a high administrative burden for employers, who perceive other in-work training measures as simpler to access.
- Workplace retraining is also available and employers/training agencies which provide retraining to employees can get the costs fully or partially covered. In a new addition, jobseekers may also choose a retraining course that can be reimbursed by the LO under specified conditions: a job seeker chooses the type of work for which he/she desires to be retrained and a corresponding training provider.
- There is provision to develop regional programmes to engage with those at risk of losing their jobs through the imminent closure of their workplace. A special measure was introduced for this in the immediate aftermath of the financial crisis, but has since been ended. However, regional labour offices have the flexibility to offer this intervention where deemed appropriate.

### ***Delivery models***

A variety of delivery models are being developed to accommodate the needs of VET participants. Adults may study in all programmes types but most opt for part-time or distance courses which can be easily combined with employment. These programmes are subject to the same approval/accreditation process as full-time courses and in general the content and completion requirements are similar. Only the time arrangements, and in some cases also the methods (e.g. the use of e-learning) are altered to the needs of employed participants. They are open to all applicants who meet the entry requirements set by the relevant school.

### Box 3.3. **Get Trained for Growth! programme**

**The Get Trained for Growth! programme** is run by the Labour Office and funded from the EU Operational Programme managed by the Ministry of Labour and Social Affairs. It is implemented for the period 2011-13 with a total allocation of CZK 850 billion. The aim of the project is to support employers who have overcome the economic recession and are operating in growth sectors that represent a significant share of GDP. The project is intended for all types of businesses (small, medium and large) in Engineering; Construction; Retail (only SMEs); Social Services and; Waste Management.

Employers operating in these sectors may apply for a training subsidy if they want to recruit new staff and want them to be properly trained/retrained or need to increase the professional knowledge and skills of existing employees. Employers fill in an application form specifying their training needs and it is assessed by a commission of senior officers in the appropriate contact office (LO). The selected employers receive a training grant and are also paid wage compensation for employees during their training time. Employers sub-contract a training company for eligible vocational training courses and set eligibility criteria.

*Source:* Ministry of Labour and Social Affairs (2013b), Get Trained for Growth! Programme website, [http://portal.mpsv.cz/sz/politikazamest/esf/projekty/projekt\\_vzdelavejte\\_se\\_pro\\_rust-](http://portal.mpsv.cz/sz/politikazamest/esf/projekty/projekt_vzdelavejte_se_pro_rust-), accessed May 2013.

Part-time education which accommodates the needs of those in work is still not common at the secondary and university level but is gradually expanding. The majority of universities offer so-called combined studies, where the distant form of learning is combined with a portion of on-site learning (taking place during weekends, for example) or individual consultations. The range of fields of study on offer in this delivery mechanism is nearly as diverse as in full-time studies, although the number of courses and participants is much lower.

Secondary schools offer short programmes which are suitable for adults. Since 2005, “shortened programmes” have been made available at a number of technical and vocational schools. The full-time programme takes one to two years and part-time alternatives are about a year longer. They are designed for those who have already completed secondary education and want to acquire a qualification in a different field, or they have general education and are seeking a vocational qualification. Private training agencies provide after-hours training in areas such as languages or soft-skills based on demand.

Modular training programmes have been developed through various ESF funded projects such as UNIV 2 Regions (see Box 3.4). Public schools can also prepare modular school educational programmes (e.g. as done in the Integrated Automotive High School in Brno) but this is rare. Commercial training institutions provide a variety of short-term modular trainings based on ESF funded projects. This provision is often time and target group limited and includes subjects such as computing, entrepreneurship and soft skills.

#### **Working with employers on training**

The PES and employers are brought together mainly in advisory bodies such as the Council for HRD and working groups. Large employers are closely monitored by the PES, especially since employers are no longer obliged to notify the employment service of vacancies which now requires the PES to develop better relations with employers.

#### Box 3.4. UNIV 2 Regions Project, 2009 2013

The UNIV 2 Regions Project was designed to help secondary schools become centres for lifelong learning that not only teach students in initial training, but also offer various forms of continuing education for adults. UNIV stands for the recognition of non-formal and informal learning in networks of schools providing education for adults. The project was designed for the period 2009 – 2013. The project involved schools from all Czech regions (excluding Prague) which organized in a network. 13 networks were set up in total, acting in cooperation with Regional Authorities. The project has two specific objectives:

- Create and develop a network of schools that meet the concept of lifelong learning.
- Increase opportunities for continuing education in secondary schools involved in the project.

The project seeks to gradually transform the secondary schools involved into lifelong learning centres. This requires a change in approach in school management and new ways of working with clients to enhance cooperation with employers. The aim is to develop/upgrade the professional competences of the 3 250 teachers involved in the project.

975 modular programmes have been set up, with 325 of them piloted. These programmes respond to current regional labour market needs and the educational needs of individuals or at risk groups. The programme has raised awareness of the importance of continuing education opportunities and increasing individuals' motivation to engage in continuous learning. One of the main aims of the project has been to engage more with relevant employers and other actors in the labour market to prepare and evaluate the programmes on offer.

Source: UNIV2 (2012), About the UNIV2 Project website, [www.nuov.cz/univ2k/projekt](http://www.nuov.cz/univ2k/projekt), accessed September 2013.

In both regions, VET organisations communicate with business regularly if their clients come from the private sector and less so if they provide training mainly for the PES. Employer engagement with schools differs according to the field of education. For example, the Technical Secondary School in Most – Velebudice in the Ústí nad Labem region has developed close links with local employers and employers are interested in engaging in order to influence school educational programmes to meet better their needs. Large employers cooperate with many schools in the region and sponsor some educational activities, such as the Smart Heads for the North Grant programme of the Czech Coal Company – see Box 3.5. General secondary institutions (*gymnázia*) tend to have less contact with local businesses.

Training is generally aligned to the demand of employers through sector councils which define labour market needs for the National Register of Vocational Qualifications, which should be reflected in educational programmes. Sector councils were established as employer representation bodies in 2006 in particular fields, and the number of councils is expanding – currently at 29. They are made up of employer representatives, training institutions and relevant ministries also have a seat at the table. In their current role, they develop up-to-date occupational profiles (for jobs defined in the National System of Occupations) that become the basis for changes in school programmes. They also develop sectoral labour market strategies to deal with major skills mismatches by Sector Skills Agreements. They are required to carry out annual skill needs analysis of the labour market in particular sectors and are regarded as a good example of co-operation between social partners and policy makers (Kuczera, 2010).

**Box 3.5. Smart Heads for the North programme, Ústí nad Labem**

The Smart Heads for the North programme is a Corporate Social Responsibility activity of the Czech Coal Group designed to promote education in the Ústí nad Labem region. It was introduced in 2010. Every year Vršanská coal (a member of the Czech Coal Group) announces a grant programme which is aimed at improving facilities for teaching staff and students in schools in the Most region.

Preselected projects that most closely meet the criteria for support are published in local newspapers and on websites. The public can vote online and by phone for their preferred schools to improve their ranking. Winners in two categories are announced (elementary/secondary schools and universities) and they receive a grant to finance their projects. Based on Facebook votes a special prize is awarded to interesting projects.

Source: Vršanská Uhelňá (2013), Smart Heads for the North programme website (*Chytré Hlavy pro Sever* 2013), [www.chytrehlavy.cz](http://www.chytrehlavy.cz), accessed September 2013; Czech Coal Group (2013), Czech Coal website, [www.czechcoal.cz](http://www.czechcoal.cz), accessed September 2013.

Nonetheless, employers reported that training curricula do not sufficiently meet their needs. A relatively small percentage of payroll is invested in training and skills development by employers and it is thought that SMEs invest less than large firms. National survey data shows that total expenditure on training to the average salary was 0.5% in the Ústí nad Labem region and 0.6% in the South-Moravian region in 2010 (DV Monitor, 2013; ISPV, 2010).

The Ministry of Labour is trying to better respond to the current needs of each region and local labour offices have been instructed to engage more actively with employers and to discuss the alignment of re-training programmes according to their needs. The Get Trained for Growth! programme allows employers to subcontract customised training under some conditions and the Ministry of Labour recently announced that support conditions from this programme would be extended to cover more employers.

SMEs face more barriers to training their employees and this has been well identified in strategic documents in both regions and various SME support initiatives have been developed. National projects, such as Get Trained for Growth, are aimed at up-skilling employees in SMEs in a number of sectors. In Ústí nad Labem, although there are no specific skill development schemes for SMEs, employer subsidy programmes are targeted at them and many ESF funded grant schemes can be used by SMEs for skills development.

In the South-Moravian region, there are various initiatives that support SME skills development to expand innovation potential and the need for this is identified in the regional Strategy for HRD. Employer associations, such as the Chambers of Commerce, run EU funded projects which are aimed at supporting and developing SMEs and include a focus on human resources elements. In addition, larger companies sometimes also assist SMEs in developing their management and employee skills by organising specialised seminars and conferences for clients and suppliers. This was done by the Czech Coal Company in Ústí nad Labem.

Investment incentives are offered to employers to support the creation of new jobs, retraining or training new employees in areas blighted by high unemployment and are especially designed for large employers. Incentives include reducing payroll taxes, providing building infrastructure to attract inward investment, and providing housing for employees for the construction of a company site.



### **Apprenticeships and schools**

There has been a gradual decline in interest in secondary vocational education<sup>3</sup> which has brought about shortages of certain professions in the labour market. The Czech Republic has a long established apprenticeship system. Apprenticeships are offered in wide range of sectors (18 specialisations) and more than 20% of young people are estimated to enrol for apprenticeships. Apprenticeships are generally regarded as the second choice option for underperforming students. The Czech Republic does not operate a dual apprenticeship system<sup>4</sup> but there is some debate within the Ministry of Education about piloting this approach. Apprenticeships in the Czech Republic have faced criticism for providing poor quality training and this has an impact on students' performance (Kuczera, 2010).

Apprenticeship programmes receive less educational resources than *gymnasium* and technical programmes, are the most likely to suffer from teacher shortages (Kuczera, 2010). The apprenticeship route does not encourage progression into further or higher education, and of the few who progress into tertiary institutions 40% drop out in the course of their studies. Poor general skills acquired during the apprenticeship system may be an important barrier in transitioning to higher levels of education.

Regional authorities have been trying to make apprenticeships more attractive, accessible and relevant to the local labour market. For example, the Ústí nad Labem region has elaborated a system of so called "Backbone Schools" (see Box 3.6). These are certified

#### **Box 3.6. Backbone schools, Ústí nad Labem region**

Backbone Schools are secondary schools certified by the Regional Authority and were set up to become pillars of the secondary education system in the Ústí Region. The Regional Authority promoted the development of these establishments to guarantee a certain level of stability and quality of provision and to make better use of secondary school resources at a time of reduced funding and potential school closures as a result of demographic trends. It is quite an innovative measure which is unique to the region and the best example of a systematic approach to secondary educational provision. Schools are keen to gain the certification as it guarantees they will be included in the structure of future regional education, and it will also bring about more stable funding. The current system of certification was introduced in 2010 and it is planned that by 2015, 15 of the 60 to 70 secondary schools established by the Regional Authority should meet the criteria for the Backbone School.

To qualify as a Backbone School, the school must offer courses of at least two levels (e.g. vocational education with *maturita* exam and apprenticeship), or be a general education secondary school (*gymnázium*) with more than 800 students and provide more than one field of education (e.g. allow students to choose between maths, science). One of the main objectives behind the concept is to strengthen links with employers, universities and the labour market in general. Schools must establish cooperation with employers, or in the case of general secondary schools with universities, and links to the labour market. This can include cooperation agreements for the provision of training, internships for students and teachers, contracts for future employment of pupils, study trips, collaboration with universities. Schools also need to provide additional courses opportunities for adults.

Participating schools are required to provide educational services to students that include career counseling, accommodation, catering and psychological assistance. There is also a focus on leisure activities for students.

Source: Ústí nad Labem Region (2013), Backbone Schools website, [www.kr-ustecky.cz/vismo/zobraz\\_dok.asp?id\\_org=450018&id\\_ktg=98848&p1=184300](http://www.kr-ustecky.cz/vismo/zobraz_dok.asp?id_org=450018&id_ktg=98848&p1=184300), Department of Education, Youth and Sports, accessed September 2013.

by the Regional Authority and seek to create stronger links between employers and labour market needs, and educational provision. Schools with the “backbone” classification have to provide at least two types of education, one of which must include apprenticeships.

Initiatives for promoting apprenticeships are one element of a much broader transformation of secondary education being led by the national government. Changes have been brought in to respond to altering demographic trends which are impacting on school financing as the number of pupils falls significantly in some regions and rises in others. Responses include not only administrative interventions such as making better use of school resources, but also introducing incentives to raise the attractiveness of educational pathways that can lead to jobs in regional labour markets. This is evidenced in the Ústí nad Labem region which has created a “Best Chemist” contest for primary school students to get them thinking about continuing their studies in chemistry and science related fields, and excellent students are awarded a certificate by the Chamber of Commerce which will make them more attractive to local employers.

The Czech government has been emphasising the need to build stronger partnerships between upper secondary schools and firms and has launched a number of projects. For example, the Partnership and Quality research programme (launched in 2008) sought to enhance the quality of education in schools and educational institutions and develop stronger links with firms through gathering additional information about how schools and businesses cooperate, particularly in implementing curriculum reform. Employers have also been involved in qualification recognition and examination boards (e.g. in final exams for apprenticeships).

### ***Matching people to jobs and facilitating progression***

There are some shared concerns among regional stakeholders about the appropriateness of career guidance. Career planning support for youth is seen as inadequate. Current guidance is delivered by educational consultants who are appointed from teaching staff in schools and are not part of a regulated or systematic approach. They provide career advice as part of educational counselling but this is perceived as a complementary activity to teaching with just a couple of hours weekly reserved for it.

The proportion and quality of career advice differs from school to school and there are no required standards to meet (although provision generally kicks in towards the end of secondary school). Some regions require schools to provide counselling services. For example, in the Ústí nad Labem region, for schools to be certified as backbone schools they must offer adequate guidance. Labour market information is provided in schools in cooperation with the local Information and Guidance Centres and schools also usually organise a few visits for students to the centres. The services in these centres are dependent on the personal capacities of individual counsellors and the centres are facing capacity problems due to staff reductions.

As for career planning support for adults, the Labour Office specialises in counselling for the unemployed. Career counselling is seen as inadequate due to the lack of a systematic framework and capacity deficiencies and provision is generally uncoordinated. Less than one quarter of the newly registered unemployed receive counselling in the first few months of their claim in both case study regions. After five months of being unemployed, an individualised action plan is developed for every jobseeker. The number of persons who receive counselling varies according the composition of the registered

unemployed and depends on PES capacities. Career counselling projects funded by EU sources have been expanded where delivered by external specialists, however these are not always well linked with other services.

There is a national job matching service which enables a jobseeker to select from vacancies notified to the PES – a web portal run by the PES. In addition, there is a personal face-to-face counselling and placement services available at some local labour offices which is intended mainly for low-medium skills jobs as only a marginal part of registered vacancies are high skilled jobs.

Since January 2013, the Ministry of Labour and Social Affairs has sought to provide better and more extensive career advice and assistance, not only to jobseekers but also to employers, municipalities and social partners. Better communication and information transfer between the local contact offices and the regional branches of the Labour Office and employers is expected to increase vacancy notifications. A new methodology and standards of work are being developed for better counselling services and more funding has been made available.

In addition to the Labour Office, other actors provide careers advice for adults including NGOs, employer associations and private employment agencies. Universities attempt to link graduates to regional industries through seminars with employers, university career centres, job fairs and other activities. Some regions have established regional guidance and information centres. For example, the South Moravian Region has recently built a Regional Information and Education Centre in Brno which will contribute to the coordination of continuing education in the region, provide information about training courses and career advice.

Job profiles are mapped at the national level by sector councils and described in the National System of Occupations – a database that provides information about labour market needs by describing the generic and professional competencies of occupations since 2007. It has been developed through a series of projects financed from the European Social Fund and has not yet been completed. This system is linked to the National Register of Vocational Qualifications.

### ***Joined up approaches to skills***

In both regions, there are concerns about future workforce development which is reflected in strategic documents stressing the need for improving the skills supply. Both case study regions take different actions to attract and/or retain talent, and face different challenges. In Usti, there is an acknowledgement of the need to attract and retain talent through marketing the locality, investing in quality of life elements, and better linking young people to careers. The region has a relatively unfavourable skills supply and labour market situation (with the highest unemployment rate nationally) that pushes high-skilled and talented people out of the region, and marketing the locality and is difficult particularly due to the perception of the region as environmentally poor.

There are a few initiatives to retain university students after graduating and improve their labour market prospects. For example, scholarship programmes are in place for those that find a job and work for a period in the region, and a certificate for excellence for secondary and university students is awarded by the Chamber of Commerce in Most.

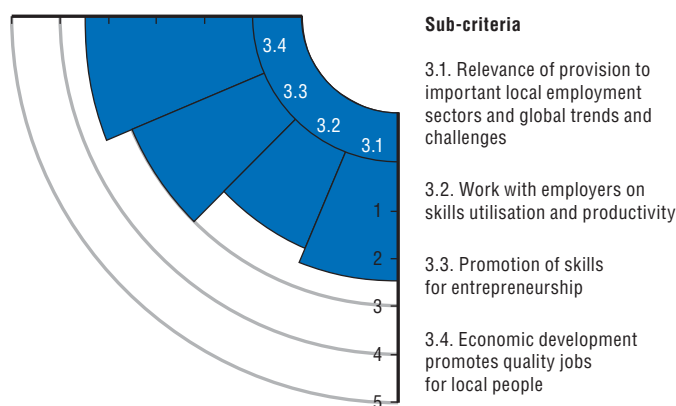
The South Moravian region is in a more favourable position. The labour force has a better educational profile, partly as a result of a greater concentration of higher education

institutions, and a more robust labour market situation with fewer underperforming localities, which makes it easier to market the region and attract high skilled workers and investors. There are initiatives to attract and/or retain talent which are linked to other policies – mainly research and innovation orientated, and these tend to be better coordinated than in Usti. For example, the Professional Activity at Secondary Schools initiative promotes research activities for gifted students, and PhD candidates can receive financial support, sponsored by the South Moravian Centre for International Mobility

The South Moravian Centre for International Mobility is a specialised non-profit association made up of the Region of South Moravia, Masaryk University, Mendel University, Veterinary and Pharmaceutical Sciences University, and the Czech Technical University in Brno. It was established to support talented students and human resources for science in the region. The centre also runs the South Moravian Grant Programme for Distinguished Researchers which is aimed at attracting top scientists from abroad for long-term research stays in regional institutions. Universities also have their own in-house programmes for attracting top level secondary education students. In addition, there are examples of good practice in cooperation between research institutions and businesses in the region. This cooperation is strongly supported by regional strategies and the South Moravian Innovation Centre which aims to promote innovative entrepreneurship and the commercialisation of research and development.

### Theme 3: Targeting policy to local employment sectors and investing in quality jobs

Figure 3.6. Dashboard results for targeting policy to local employment sectors and investing in quality jobs



#### Relevance of provision to important local employment sectors and global trends and challenges

The regional labour offices periodically analyse the results of regional and local labour markets, and reflects this in national and regional employment and training programmes. The Get Trained for Growth! programme addresses the training needs of employers who have emerged from the recession and are developing activities in certain sectors flagged as having growth potential and which contribute a significant share of GDP. Employment and retraining programmes take time from the development to the implementation phase. While this is not critical when responding to long-term trends, a slow response can result

in programmes being introduced which are already out-of-date and no longer reflect the skills required in emerging sectors. No analysis is carried out to identify the potential impact of global trends on the local labour market and employment programmes.

### ***Labour market forecasting***

Skills monitoring and forecasting have focused strongly on the national level due to the limits of available data for regional labour markets. The limited focus on emerging markets and skills needs is partially a consequence of the lack of labour market trend forecasting which is still in its initial stages of development. The National Training Fund – National Observatory of Employment and Training (NTF-NOET), Center for Economic Research and Graduate Education – Economics Institute (CERGE-EI) and the Research Institute of Labour and Social Affairs (RILSA) are the most experienced research institutions in this area and their activities constitute a good foundation for a forecasting system. National level results of forecasting activities carried out by the NTF-NOET are presented in a coherent and comprehensible manner online.<sup>5</sup>

Ústí nad Labem has set up an innovative pilot research project which is aimed at adapting the national forecasting model to regional needs and it is the only region where forecasting has been disaggregated to the regional level. Since 2009, the Regional Authority has used regional forecasts provided by the RILSA and has disseminated this information on current and future employment prospects to students choosing their secondary education and career paths. However, the regional forecasts suffer from various drawbacks which is why between 2010 and 2012 the RILSA embarked on a research project aimed at developing a more reliable regional forecasting model for the region and a general regional forecasting methodology for other Czech regions (ReferNet Czech Republic, 2009).

### ***Work with employers on skills utilisation and productivity***

#### ***Sustainable employment and skills utilisation***

Skills utilisation approaches look at how the workforce is structured and the relationship between an individual's skills and the needs of business. They focus on how well employers are utilising the skills of their employees, which can improve productivity and profitability. Individuals also gain from the better utilisation of their skills through greater job satisfaction and autonomy. This approach avoids supply-side or 'provider driven' training solutions, which may not address the breadth of an enterprise's organisational context. Instead, providers are encouraged to take on a workforce development role (Froy, Giguère and Meghnagi, 2012).

There is little focus on skills utilisation nationally and within the case study regions and the concept of skills utilisation was relatively unfamiliar to local stakeholders. During the OECD study visit, a concern was expressed that many graduates are not effectively putting their higher level skills to use as they are working outside their field of education and the situation is getting worse. In the Ústí nad Labem region, many university graduates take jobs intended for secondary education graduates.

The economic crisis and down-sizing of many firms has improved the productivity of many organisations without public sector intervention and the common view from local stakeholders during the OECD roundtable is that productivity is a matter between firms and research institutions, with little space or reason for the PES or VET institutes to get involved. However, labour productivity in the Czech Republic is low and declined further during the downturn. There are no specific sector strategies or initiatives to improve work

organisation or productivity but some public programmes contain elements of innovation leading to improved labour productivity. Universities and education and training institutions are actively involved in delivering and supporting applied research in a broad range of fields relevant to the regional economy.

In the South-Moravian region, the research activities of universities are promoted by regional policies to boost regional innovation potential. Projects such as CEITEC, IT4Innovations, Bio-technology Incubator and Innovation Vouchers (see Box 3.7) are examples of such cooperation. In addition to regional specialised agents, such as the South Moravian Innovation Centre, universities have established technology transfer centres to promote cooperation with business. In the Ústí nad Labem region, Purkyně University carries out research activities oriented towards the local chemical, mining and engineering industry and the university has started to build a new campus to be shared with local firms to promote applied research and technology transfer. Businesses can also apply for a national government subsidy to assist with transitioning to new product markets – the Transition to New Business Programme – as part of an active labour market programme offered by the regional labour offices. This is intended to be used when, for example, an employer makes a transition to new technologies.

#### Box 3.7. **Innovation Vouchers, South Moravian region**

The innovation voucher was first introduced in 2009 in the Czech Republic by the South Moravian Innovation Centre. An innovation voucher is designed to promote technology and information transfer in order to boost the innovation potential of the regions. It is a subsidy for international companies worth up to CZK 100 000 (approximately EUR 4 000) for the purchase of knowledge which is not commonly available from one of Brno's research institutions. This initiative is financed by the Regional Authority.

Innovation vouchers are a tool for developing mutual trust and cooperation between companies and Brno-based research institutions and give companies the opportunity to test collaboration with selected research teams. Purchased service must lead to a strengthening of a company's competitiveness. Vouchers can be used for example on product/process/service development, feasibility studies, developing a business plan for an innovative product, doing an economic impact assessment, market analysis/marketing strategy, or a new business model development.

So far almost 200 vouchers have been distributed and companies from neighbouring Austria and Germany, as well as Great Britain, have applied for vouchers and 12 regional research institutions have gotten involved. The programme has inspired other regions in the Czech Republic and has attracted more highly skilled people to the region.

Source: South Moravian Innovation Centre (2013), Innovation Vouchers website, [www.inovacnivouchery.cz/en/](http://www.inovacnivouchery.cz/en/), accessed August 2013.

#### **Promotion of skills for entrepreneurship**

The rate of early-stage entrepreneurship (TEA) in the Czech Republic was above the average for “innovation-driven economies” in 2011, at 7.6%. However almost one third of TEA is necessity driven (e.g. people pushed into starting a business out of necessity because they have no other work options, rather than through spotting an opportunity) (GEM, 2012).

### ***Entrepreneurship support in public employment programmes***

In both regions, there are self-employment programmes for the unemployed funded by the PES as part of national programmes applied regionally. The programmes cover some costs (but not all) related to establishing a business and may offer access to subsidised entrepreneurship courses. In the South-Moravian region, the Regional Authority complements the self-employment programme with a subsidy that enables it to cover other types of costs not eligible in the Labour Office programme. In the Ústí nad Labem region, demand for the self-starter programme has decreased in recent years as local residents are finding it harder to get a business going in the post-crisis period.

The Ministry of Labour and Social Affairs has announced new plans to support jobseekers who decide to start their own business in order to boost entrepreneurship, job creation and take more people off the unemployment register. The Labour Office will provide training to prospective entrepreneurs if they come up with a realistic business plan which will be individually assessed. The individual will be able to get a subsidy of CZK 40 000 to 80 000 and needs to be self-employed for an agreed period (usually one to two years) to be eligible. A person who has started a self-employment programme may also apply for a “bridging allowance” within 30 days which is intended to partially cover the operating costs involved in setting up an enterprise.

It is not common practice to include entrepreneurship skills in vocational training and university courses. Private VET institutions provide entrepreneurship skills training more often than public schools. Universities provide entrepreneurship courses on an ad-hoc basis, as an additional option or in specific courses where it is seen as relevant (e.g. business administration). In the South Moravian region, the South Moravian Innovation Centre promotes entrepreneurship among secondary education and university students. It not only provides training programmes but also offers consulting services, assistance in setting up a business, contacts with investors and assistance with renting premises. The Chamber of Commerce in the Ústí nad Labem region runs publicly funded projects that provide entrepreneurship skills training.

### ***Economic development promotes quality jobs for local people***

#### ***Strategies for quality job creation and marketing the region to inward investors***

Strategies to support job creation exist in both regions. In the Ústí nad Labem region, there is a comprehensive HRD Strategy from 2008 focusing on increasing demand for a skilled labour force in high value added sectors, The South Moravian region also has a comprehensive HRD Strategy (2006-2016), which focuses on creating quality human resources and jobs.

Marketing the local labour force to potential inward investors has a different focus in both study regions. According to stakeholders in the Ústí nad Labem region, it is difficult to market the regional labour force as it is less attractive than other regions. Information for potential investors is provided by the Regional Authority and other agents such as the Regional Development Agency but does not necessarily refer to skills and human capital. The labour force in the South Moravian region has a more attractive profile and this asset is marketed by various agents including the Regional Authority, South Moravian Innovation Centre, Regional Development Agency of South Moravia, and the City of Brno as well as by national agents such as CzechInvest. The region provides potential investors with information on the local skills base and education and training institutions and more detailed information is available on request.

### Box 3.8. Investment incentives programme, South Moravian region

Investment incentives have played a significant role in developing the economy of the South Moravian region. They have been mainly administered by CzechInvest – the national development agency and helped to create 14 300 new jobs in the region between 1998 and 2008, many of them in high value added production.

The investor presents an investment project that is assessed by CzechInvest. If approved, the investor receives subsidies. Most of the projects funded were from Czech companies, followed by Germany and Japan. Supported investors in the South Moravian region received CZK 1.25 billion of state aid. In return, they built companies for CZK 20 billion and paid – together with their suppliers – a total of CZK 8.17 billion (e.g. for every CZK 1 invested, CZK 6.5 was earned). The state income from supported investments increased annually – in 1999 it reached CZK 33.7 million while in 2008 it was CZK 2.27 billion.

Investment incentives in South Moravia attracted companies primarily involved in engineering, followed by electronics, optics and the automotive industry. The vast majority of goods produced by supported investors were exported. Investments have had a large impact on the local economy. The incentives have benefited a number of other companies not only those that directly received them and more than a third of investors cooperate with the local universities or the Academy of Sciences. CzechInvest encourages business by marketing the locality, providing information to investors, and administering money from the investment incentive programme.

In the Czech Republic, investment incentives generated positive returns (CZK 1 provided as an incentive generated revenue of CZK 8.5 for the state budget). A total of 308 000 new jobs were created as a result of the incentive programmes.

Source: Czech Invest (2013), Successful investment projects in South Moravia website, [www.czechinvest.org/jm%1investice](http://www.czechinvest.org/jm%1investice), accessed September 2013.

### Using public procurement

There is some consideration of job quantity and quality offered by local inward investors in the regional and municipal planning process. In South Moravia, both elements are considered but the quantity aspects outweighs quality considerations by a large margin, however economic development stakeholders clearly prefer innovation related investment over manufacturing and lower skilled employment. In the Ústí nad Labem region, depending on the municipality, the number of jobs offered by investors is taken into account as the primary factor (e.g. in the Triangle Strategy Industrial Zone) and scarce consideration is given to quality.

The extent to which local stakeholders seek to ensure that local construction and development activities offer jobs and training opportunities to local residents varies according to region. In general, regional stakeholders seem to be unaware that current legislation does allow job quality and social inclusion elements to be considered in public procurement. Municipalities can reflect employment and education considerations in the territorial planning process but public procurement contracts are awarded almost exclusively by the lowest cost – in perhaps 90% of all contracts. Adding other tendering criteria, such as local employment opportunities, stating a preference for regional suppliers or adding human resource management considerations, to public procurement



contracts is generally considered legally risky because it may be difficult to defend such criteria before financial controlling institutions. However, as seen in the case of the city of Most below, municipalities can apply conditions in public contracts – see Box 3.9.

#### Box 3.9. Using public procurement for social inclusion, city of Most

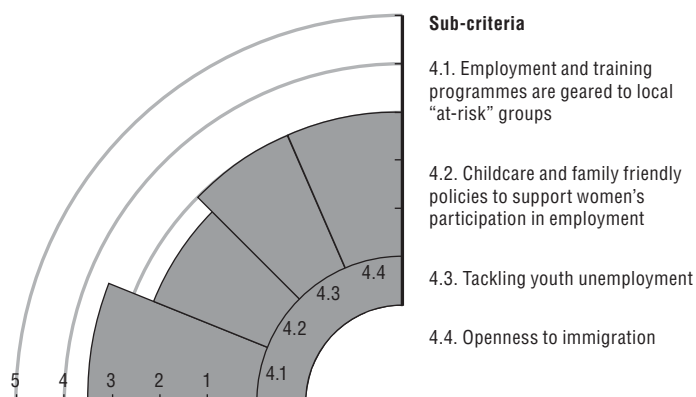
The city of Most (Ústí nad Labem region) applied the condition that as part of four public contracts for the construction of flats in the Chanov quarter (a socially deprived locality) and one public contract for cleaning, 10% of all those hired had to be long-term unemployed. The cleaning services contract was awarded to a firm that hired one long-term unemployed person. Other long-term unemployed were also hired on short-term contracts. Candidates were put forward by local non-profit organisations and were mainly people with low levels of education, skills and work experience who, according to senior staff, were able and willing to learn. Five out of seven persons stayed in their job after completion of the contract and two were offered a permanent contract. The newly hired workers performed preparatory technical work, finishing and ancillary works.

Applying the 10% condition in tendering contracts did not burden bidders or make the contract more expensive for the city. The firms have been considering not only fulfilling the mandatory 10% quota but hiring other long-term jobless. The city of Most has incorporated the procurement terms into the Integrated Development City Plan and is considering how it can be applied to other contracts. The Agency for Social Inclusion has included the example of Most in a manual for municipalities to encourage them to take similar approaches.

Source: Agency for Social Inclusion (2012), “Guide for Municipalities”, [www.socialni-zaclenovani.cz/prirucka](http://www.socialni-zaclenovani.cz/prirucka).

## Theme 4: Being inclusive

Figure 3.7. Dashboard results for being inclusive



### **Employment and training programmes are geared to local “at-risk” groups**

PES training programmes are generally adapted to broadly defined “at-risk” groups (e.g. persons over 55s, youth, the disabled, women, residents in socially deprived areas and the Roma minority).<sup>6</sup> In addition, regional projects (RIPs) are targeted to more specific disadvantaged groups based on analysis of the regional labour market (see Box 3.10).

**Box 3.10. Socially Deprived Localities Project, Ústí nad Labem region**

Ústí nad Labem has one of the highest numbers of deprived communities in the Czech Republic. 60 socially deprived localities with a total population of over 20 000 have been identified, and unemployment rates in these areas are much higher than the regional average. Many people in these localities do not have the opportunity nor the motivation to work, and children born there do not have role models from their family or neighbourhood on working life.

The *Socially Deprived Localities Project* was introduced to support people from socially disadvantaged backgrounds to move towards employment. It is a regionally specific programme implemented by the regional branch of the LO and funded from the ESF. It was prepared in cooperation with the Working Group for Socially Deprived Localities of the Ústí Region Council and the Department for Social Inclusion. The project will run from December 2012 – August 2015 with a budget of CZK 61 billion.

Employment problems in these localities are treated in the project as socio-economic rather than ethnic issues as it is not possible to distinguish between who is and is not Roma. The culture and lifestyle of the Roma community is however taken into account when implementing the project. The regional branch of the LO outsources most of the key activities to a service provider. The contractor has to perform the array of activities, including reaching the target group, providing individual and group counselling, strengthening motivation and activation. They also offer retraining opportunities, job seeking assistance and often accompany clients to job interviews. They may also arrange subsidised employment and provide work assistance beyond the first few weeks in the new workplace in order to provide the placed person with on-going support in order to improve job retention rates.

The project plans to support 800 people from socially disadvantaged backgrounds by targeted services, and expects to place 400 participants in jobs. Furthermore, this project is intended to contribute to strengthening cooperation between local non-profit organisations and state and local government agents.

Source: European Social Fund (2013), Socially deprived localities project in the Ústí nad Labem region website, [www.esfcr.cz/projekty/socialne-vyloucene-lokality-usteckeho-kraje](http://www.esfcr.cz/projekty/socialne-vyloucene-lokality-usteckeho-kraje), accessed September 2013.

**Creating jobs/job placements for people not ready to enter employment**

In both regions, comprehensive efforts are made by local employment offices, alongside local partners, to create jobs/job placements for people who are not ready to enter formal employment. This is done through national ALMP measures for creating subsidised job or subsidised job placements for at-risk groups. A number of incentives are offered to employers to encourage them to hire from the unemployment register:

- Employers can apply for a payment if they recruit registered job seekers via the “subsidy for incorporation in workplace” scheme. The maximum duration of the subsidy is three months and it can reach more than half the monthly minimum wage of the hired person.
- “Socially beneficial jobs” are aimed at creating/reserving jobs for jobseekers to provide employment opportunities for those who cannot be placed in any other way and has been developed as a result of the low availability of suitable vacancies. Employers can be eligible for subsidies for a maximum of 12 months however there is no legal entitlement to it. This measure also applies to jobs created through self-employment.

- The Ministry of Labour has recently introduced a measure which subsidises employers that offer part-time jobs to the long-term unemployed, to mothers with children, or people who take care of family members.
- There are specific employment programmes for disabled people which create “sheltered workplaces”. Subsidies are provided to employers to partially cover the costs of these jobs.
- In a relatively new job creation measure, municipalities and non-profit organisations will be offered wage subsidies by the government if they create new jobs for registered jobseekers in community work. They can receive up to CZK 15 000 per month per employee.

A community works scheme is in place which provides temporary employment for those who are less likely to be employed. The objective of the measure is to restore and maintain basic working habits and the motivation to work. The scheme is managed by the Labour Office which concludes a contract with the employer (a municipalities or state/civic institutions). These community placements have a broader social service such as maintaining public areas and public buildings.<sup>7</sup> However, the scheme is a secondary labour market with little “back-to-real-work” incentives and it has been the subject of a long term dispute between municipalities and the PES. Municipalities perceive the programme as cost saving “artificial” employment while the Labour Office insists on a time-limited activation focus.

#### ***Outreach and area-based approaches in deprived areas***

Training programmes are delivered by NGOs, the Labour Office and training institutions to disadvantaged communities through outreach and area-based approaches but the extent to which this is done depends on the level of engagement by the region. For example, some NGOs specialise in work in socially deprived localities with a predominantly Roma population (e.g. IQ Roma Services in the South Moravian region), while private VET institutions deliver training to local social integration projects or partnerships. While efforts to help at-risk groups are quite comprehensive, it remains unclear whether the interventions have a positive impact on the specified groups as a result of the lack of policy evaluation. Studies on targeting employment programmes on the national level indicate that there is some creaming effect and targeting relies on the experience of frontline officers rather than an early targeting tool (Sirovátka and Kulhavý, 2007; Soukup, 2006).

There is no public assistance to help people out of informal/illegal employment<sup>8</sup> and recent labour market reforms have introduced new sanctions against people working outside of the formal labour market. The main strategy has been financial sanctions for employers and de-registering and removing benefit entitlement for jobseekers. The DONEZ – Attendance of Jobseekers – project makes it obligatory for jobseekers to regularly attend post office check points to reduce participation in the black economy. However, some concerns were raised that too much of an onus on restrictions and sanctions may push some hard-to-reach groups further from the reach of mainstream institutions such as the LO, and further into illegal activity.

#### ***Childcare and family friendly policies to support women’s participation in employment***

Stakeholders in both regions reported that subsidised childcare and care for the elderly is accessible for most families and generally meets demand. There are no notable differences in provision between the two study areas. Subsidised childcare is government regulated and early year’s education is compulsory. A national scheme is in place to target increased participation in early year’s education by disadvantaged groups and preparatory classes for children from socially disadvantaged backgrounds are available to prepare them for primary schooling.

Subsidised care for the elderly is available usually within two to three months of applying but it depends on the type of service sought as elderly care can be provided as a personal home service or through residential institutional care. In cities such as Brno in South Moravia, there is excess demand for institutional care which may lead to long waiting lists or moving out to rural areas. When demand for elderly care is high, municipalities tend to cooperate with other actors such as charities on providing this service.

Family friendly policies such as job rotation, flexible maternity and paternity leave, crèches on site, part-time work and career breaks are scarce in the Czech Republic and only some large employers have introduced such approaches. There is a lack of support measures either on the national or regional level and employers are not systematically encouraged to adopt such policies although some discussions have taken place with employers on implementing family friendly policies.

There seems to be a consensus among regional stakeholders that low female participation rates in employment (and which translates into a considerable wage gap) is caused by the lack of flexible forms of employment rather than insufficient childcare capacities. A number of projects aimed at better aligning work with care responsibilities are funded by ESF programmes. Some public sector employers have been pro-active on this – one such example is the South Moravian Regional Authority which set up a kindergarten last year for its employees. The Ministry of Labour and Social Affairs recently launched a pilot project to get more women into the workplace by establishing “child groups”.

#### **Box 3.11. Piloting “child groups” by employers to promote female employment**

Recently the Ministry of Labour launched a pilot project to promote female employment by subsidising so called “child groups” established by employers as an alternative to the public network of childcare facilities. In cooperation with the Ministry of Finance and the Ministry of Health, the Ministry of Labour submitted a bill which provides for a new child caring service for children before the start of compulsory schooling. So far, one pilot child group is operating with 38 children enrolled. It is intended that child care within the groups be provided on a non-commercial basis with a maximum public contribution to cover the investment and operational costs. The provider may be a private or public employer, a non-profit organisation or a regional body or municipality. Still in the design phase, the bill provides for specific conditions relating to the number of children per caregiver, insurance, and registration duties. There will also be tax-deductible expenses related to their operation and a tax credit for self-employed parents. A national initiative, there are few innovative examples of this being taken up at the regional level.

*Source:* Ministry of Labour and Social Affairs (2013a), “Overcrowded kindergartens: A solution could be children’s groups”, 11/04/2013, Prague.

### **Tackling youth unemployment**

#### ***Policies and programmes to support NEETs (not in education, employment, or training) and early school leavers***

Youth unemployment is a growing concern in the Czech Republic. The economic crisis has had a disproportionate impact on young people seeking their first job and the number of young people out of work increased more than in most European countries from the end of 2008 to 2011. Previously relatively low, the employment rate gap between youth and

older workers has increased more in the CR than in other European countries (Bakule, 2011). However it still remains below the EU average at 19.5% (compared to 22.8%). National labour market statistics do not recognise the not in education, employment or training (NEET) category and no such analysis is carried out on the category but EU data shows that the Czech Republic has a smaller number of NEET youth – 8.9% compared to 13.2% in the EU in 2012 (Eurostat, 2013a).

Young people are recognised as an at-risk group and are targeted by many labour market programmes, especially recent graduates. In March 2013, the Ministry of Labour and Social Affairs introduced a new employment plan that contains increased support for young people and graduates through expanded LO services. The new EU Strategy on Youth will have an impact on youth public policies. The EU Youth Guarantee will be introduced in the Czech Republic in the coming months, offering every young person a job, further education or training within five months of being unemployed.

The Czech Republic has one of the lowest school dropout rates across OECD countries – only 6% of 25-34 years-old have not completed upper secondary education (OECD, 2012b). Nevertheless, there are initiatives in place to prevent drop-outs at schools. There is systematic prevention at schools and the certified Backbone Schools, as discussed previously, in the Ústí nad Labem region provide counselling services and options to change education paths to keep youth engaged. There are also a number of initiatives for early school leavers as part of publicly funded social inclusion projects by NGOs in deprived localities.

The Ministry of Labour and Social Affairs has recently drawn up a measure to support job creation for young people up to the age of 30 through an internship project called “work experience for young people up to 30”. For a maximum period of one year, employers can be granted a monthly subsidy of CZK 24 000 for newly hired young people and additional financial aid is available to cover the cost of establishing the job. Young people are eligible for the internships if they have been registered with the Labour Office for more than four months and have little or no work experience. The expected number of participants is 3 200. The Ministry will also assist recent graduates in job search. In June 2013, regional projects for expanding individual counselling on job search or graduate training were launched and up to CZK 1 billion has been allocated.

### **Openness to immigration**

In both regions, there is support for the recognition of qualifications and skills from abroad at the local level but referrals are generally made to national schemes. The Regional Authority can recognise formal qualifications from abroad for primary and secondary education by making referrals and local universities can do the same for tertiary education. Competences informally acquired overseas can also be recognised within the National Register of Vocational Qualifications.

There are no specific courses available to help immigrants to convert skills to the local labour market with the exception of language courses. Subsidised Czech language courses for foreigners are provided by local NGOs – the Support Centre for the Integration of Foreigners operates in the Ústí nad Labem region and the Association of Citizens Engaged with Immigrants provides language courses in the South Moravian region. This training is not linked to specific occupations and may not always meet local demand but is generally available at all skills levels.

### **Tackling discrimination in the labour market outside of national legislation**

Ad-hoc actions are in place to tackle and reduce discrimination in the public, private and not-for-profit sectors. Tackling discrimination in the labour market is not a central concern among stakeholders, perhaps because the number of immigrants is low and they have relatively lower unemployment rates. Compared to other regions the South Moravian region has higher numbers of immigrants and this has initiated policy responses. The Targeted Long-term Integration Support for Foreigners from Third Countries in the South Moravian Region (2011 – 2015) is a unique strategy within the Czech Republic. There is also the South Moravian Regional Centre to Support the Integration of Foreigners, which promotes the integration of immigrants.

Most of the initiatives to better integrate immigrants into the labour market evolve from the national level. *The Updated Policy for Integration of Immigrants – Living Together* (2011) report provides the policy framework for the equal treatment of immigrants and is monitored by the Labour Inspectorate. There are European Social Fund projects for promoting equal opportunities in all sectors by gathering good practice and raising awareness which is carried out by local employers and NGOs. In order to address skills mismatches, the Czech Republic is looking more towards attracting highly skilled foreign workers and for greater worker mobility by Czech citizens. Conditions for working were liberalised in order to make it easier to grant work and residence permits for qualified (secondary education/apprenticeship) and highly qualified workers (higher education).

### **Notes**

1. Prior to the reforms, over 35% of labour office staff worked on the administration of state benefits, 20% worked on controlling/legal issues, labour market monitoring/analysis and unemployment insurance administration, while nearly 45% worked on placement, counselling, medical assessment and labour market programme administration.
2. The most recent results from the 2011 Census are currently being made available.
3. Technical education is provided in 26 groups of vocational fields. General content represents around 50% of content – a greater proportion than in apprenticeship programmes (Kuczera, 2010).
4. Apprentices spend 30-35% of their time on general subjects, 20-30% of time on vocational content, and 35-45% on practical training in a school workshop or in a company (Kuczera, 2010).
5. These can be found at [www.czechfutureskills.eu/](http://www.czechfutureskills.eu/).
6. The Czech Republic has the lowest proportion of the population at risk of poverty or social exclusion from all EU countries. However, spending on social transfers remains relatively low - the proportion of social transfers/GDP is 13.6% for the Czech Republic and 19.6% for the EU27 (Eurostat, 2013c; Eurostat, 2013d).
7. Positions last for a maximum of 12 months and a jobseeker can be placed several times even in the same job, and the same position can be created repeatedly. Workplaces can be subsidised up to 100% of wage costs, including social security and general health insurance contributions.
8. The Czech Republic's shadow economy is estimated to be at 15.5% of GDP in 2013, lower than the average for the EU31 (18.5%) and has almost steadily decreased from 2003 when it was 19.5% (Schneider, 2013).

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## Chapter 4

# **Towards an action plan for jobs in the Czech Republic: Recommendations and best practices**

*Stimulating job creation at the local level requires integrated actions across employment, training, and economic development portfolios. Co-ordinated place-based policies can help workers find suitable jobs, while also stimulating job creation and productivity. This requires flexible policy management frameworks, information, and integrated partnerships which leverage the efforts of employment, training, and economic development stakeholders. This chapter outlines the key recommendations emerging from the review of local job creation policies in the Czech Republic.*

## Better aligning policies and programmes to local economic development

***Recommendation: Maintain flexibility in the management of employment programmes and services for the local level within a national system, which articulates strategic objectives and accountability requirements.***

Flexibility in the management of employment policies and programme is important to ensure labour market policies are sensitive to local labour market considerations. This study has highlighted the variation in skills supply and demand at the sub-national level in the Czech Republic therefore, the employment policy framework should seek to promote strategies and approaches, which respond to these differences.

Public employment services in the Czech Republic have been reformed to a more centralised model, where 14 regional employment offices design programmes under the Labour Office and the Ministry of Labour and Social Affairs. There is a high degree of flexibility for regional employment offices but the 77 former district labour offices (operating at the local level) have experienced reduced flexibility and now mainly administer programmes. Under the previous system, the 77 former district labour offices had a high degree of flexibility to introduce employment programmes. While some flexibility has moved away from the local level, the reforms were undertaken to ensure equitable standards and services across the Czech Republic. The broader regional approach may be beneficial because it takes into account travel-to-work areas.

Granting local flexibility in employment policies and programmes does not mean that governments need to decentralise labour market policy (Froy and Giguère, 2010). OECD research has highlighted the important balance that needs to be achieved between flexibility and accountability (OECD, 2009). Accountability can be achieved by focusing on outcomes or strategic objectives, which provide a focus for the system but still enable regional and local actors to develop employment and skills approaches.

Additional flexibility can be achieved through a range of measures which could be applied to the reformed Czech model. The Labour Office can provide strategic direction for the local offices in getting more people into work, and ensure that local actions combine to achieve regional and national objectives. An individual in each regional office could be appointed to coordinate with the former district offices to ensure that local knowledge, priorities and issues are known to the regional level and that there is sufficient dialogue between local and regional bodies. The setting of performance targets could be carried out as a collaborative exercise between the local and regional offices, resulting in a regional level plan which takes into account the characteristics of the region and its diverse local labour markets. The regional level plan could articulate how its actions will align with objectives articulated at the national level through the Labour Office and the Ministry of Labour and Social Affairs.

A OECD study looked at the Danish employment system, which is a three tiered model (e.g. national, regional, and local) and may provide useful lessons for the Czech Republic (OECD, 2010) – see Box 4.1.

#### Box 4.1. Decentralised labour market policy in Denmark

The Danish system for the management of labour market policy has undergone an important transition in recent years, with responsibility being progressively awarded to municipalities, while maintaining a strong system of control from the National Labour Market Authority, facilitated by the four employment regions.

In 2007 a major structural reform of local and regional government came into effect. Its purpose was to strengthen the decentralised public sector in the context of a fast changing business and trade environment. Analyses had shown that many of the administrative units were too small and lacked the capacity to handle the tasks they were given, and also that most of the counties (regional authorities) lacked adequate capacity to ensure optimal sector planning. 271 municipalities were reduced to 98 municipalities, and 14 counties were abolished and replaced by five new administrative regions governed by popularly elected boards. Responsibilities and the division of tasks were restructured, resulting in more tasks for the municipalities, now responsible for almost all public services. Furthermore, four employment regions were set up to monitor the labour market situation.

Municipalities were well placed to play a significant role in combining an approach which meets both individual and community needs. Their potential to work across policy silos and take broad community issues into account when planning employment policies and programmes was important. Local employment councils also ensure that the system includes a degree of local horizontal accountability, through the involvement of the local social partners.

At the same time, the role of the National Labour Market Authority and the employment regions is essential in setting targets, ensuring minimum standards are met, sharing good practice and research findings, and measuring whether the sum of local actions allows Denmark to meet national employment policy objectives. The Danish employment system achieves a balance between accountability and flexibility within the management system through a number of different instruments; legislation, financing, performance-based and dialogue-based management, IT tools, methodology requirements, and organisational requirements. The system appears to underpin both high accountability with regard to national goals and focus areas, and moderate to high local flexibility, meaning that local players and stakeholders can co-operate on targeting employment measures to local challenges and needs.

Source: Mploy (2011), "Building Flexibility and Accountability Into Local Employment Services: Country Report for Denmark", OECD Local Economic and Employment Development (LEED) Working Papers, No. 2011/12, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kg3mktstn4tf-en>.

**Recommendation: The Labour Office should strengthen the capacity of the regional and local level to deliver programmes while ensuring that private providers complement existing services.**

In the Czech Republic, the number of public employment services staff has been reduced through the reform effort, which has negatively impacted frontline work, such as placement and counselling services at a time of increasing unemployment. An increasing part of employment and training efforts in the Czech Republic are funded through EU programmes and there is little consideration of sustainability. There have been a high number of employment activities that have had little or no follow-up because of project to project funding. As a result, a number of potentially innovative approaches have not been continued.

More sustainable funding models would help regional and local actors to strategically plan for the medium to long-term. The government should also consider mechanisms for increasing local capacity to ensure the effective delivery of employment programmes and services. When capacity is low, staff have less time to think innovatively about improving policies and service delivery for job seekers.

Another challenge is that the capacities of local employment services are not effectively complemented by cooperation with private employment agencies. There seems to be no consensus about the role of private providers although discussions are taking place. When considering the role of private sector providers, it is important to complement the capacity and expertise that is already in place, alongside not-for-profit bodies, and ensure local services are well integrated. Collaboration between all relevant stakeholders is critical for coherent policy measures which are cognisant of local contexts. When outsourcing to for-profit providers, it is critical that local employment offices are involved in setting the framework for how private agencies operate and how contracts are framed out to ensure a local focus is retained.

Regional and local offices should be consulted on how outsourcing is carried out in order to ensure that all activation methods are adapted to local contexts. Any terms of reference should be informed by discussions at the sub-national level and local stakeholders should be given the opportunity to feed back into the decision making process. Setting outcome targets rather than input or output targets in outsourced contracts can also be an effective way in allowing governments to retain control over results while allowing private entities to determine the best way to administer services, including experimenting with innovative approaches.

In the Netherlands, the PES and municipalities outsource individualised client packages to private employment agencies, primarily to work with those furthest from the labour market. They face sanctions if they do not reach targets and local PES offices work intensively with the private companies – see Box 4.2.

**Box 4.2. Working with private employment agencies, Netherlands**

The Dutch PES (*UWV WERK Bedrijven*) provides basic services to jobseekers but since 2004, work coaches have also had the option to enrol the client in a so-called individualised reintegration agreement (IRO). In an IRO, the work coach determines a specific reintegration path which offers particular flexibility in the help and support offered and is most commonly used with those deemed least employable. Municipalities can also outsource services and are often more likely to. This is in part due to the fact that working with the target group demands a specialised approach which municipalities are not perceived to have, and municipalities also receive a relatively high reintegration budget per client compared to *UWV WERK Bedrijven*.

IROs are frequently outsourced to private reintegration agencies. Some 2 500 providers have been involved in IRO packages, many of whom solely supply IRO, and it has attracted many (mainly small) private providers. Since IROs are relatively expensive (at EUR 4 000 to 5 000 per client), work coaches are more and more encouraged to make an assessment between the costs and benefits of using IROs per client, with some *UWV WERK Bedrijven* only using an IRO when they are convinced that it will lead to a regular job.

**Box 4.2. Working with private employment agencies, Netherlands (cont.)**

Targets are passed onto private providers and if they do not meet their objectives their contract may not be renewed. Often the reintegration packages are financed on a “no cure, no pay” or “no cure, less pay” basis. Having targets and measures in the contracts was accepted as the way that business is done. There is some room to negotiate the targets as part of the contracting process. The evaluation of the effectiveness of reintegration instruments and programmes is carried out by the purchase and reintegration divisions at district level for the UWV WERK Bedrijven, and similar divisions within the municipalities.

The PES central office has a reintegration budget which has to be completely spent by outsourcing to local and regional reintegration bureaus. Private providers are chosen mainly by the central office of the UWV and each district in turn has a contract manager who handles the regional contracting arrangements, negotiating the contract and monitoring the results. Tendering processes are relatively large investments and contractors report on a national basis.

Individual local PES offices interact intensively with private reintegration companies, for example on placing unemployed jobseekers in reintegration programmes, drafting and approving reintegration programmes and reporting about the progress.

*Source:* Dorenbos, R. and F. Froy (2011), “Building Flexibility and Accountability Into Local Employment Services: Country Report for the Netherlands”, OECD Local Economic and Employment Development (LEED) Working Papers, No. 2011/13, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kg3mktqnn34-en>.

***Recommendation: Enhance communication and partnerships between local stakeholders in order to promote shared solutions. This could include taking full advantage of existing networks and fora, as well as exploring ways to advance new forms of engagement.***

Improving cross-institutional communication, cooperation and coordination is a precondition for better aligning policies and programmes to local needs. There is potential for better integrating employment policy carried out by regional Labour Office branches with economic development and education and training policies implemented by regional authorities.

Partnerships connect local actors, stimulate dialogue, and increase effectiveness and efficiency in the use of public resources. In both Ústí nad Labem and South Moravia regions, cooperation between local stakeholders is an issue and there is a quite wide gap between declared cooperation and real day-to-day interaction. Meaningful cooperation requires staff time and also needs local actors to take responsibility beyond their daily agenda. The level of communication between various stakeholders varies but the level of informal communication is not generally reported to be very high. Improving the regularity of such communication between employment, vocational education, economic development and other stakeholders would help to engage stakeholders in area-based partnerships.

In both regions, the Councils for Human Resources Development (HRD) were originally designed to serve as a regional platform on issues relating to skills, education and job creation. In some cases, the Councils for HRD are very effective for bringing together the key decision makers, however there are huge disparities between them and it is difficult to assess what impact they have had on the ground. This type of exchange mechanism should be continued (whether in the form of the existing councils or in an alternative manner) so that local stakeholders can gather and have room for discussion, to initiate projects and to have more involvement and ownership of projects needed to develop a stronger skills base in their region. The Moravian-Silesian Employment Pact and implementation of the Human Resource Development Strategy serve as good examples of a systematic, strategic approach that leads to increased communication and joint actions that creates new synergies.

Translating strategies into action requires enough flexibility to ensure that collaboration leads to concrete changes in the delivery of policies and programmes. Such regional fora could also emphasise collecting and sharing information about “what works” and why. Such information could be supported by mechanisms that provide guidance to local stakeholders on effective practices and could be circulated amongst regions.

National level stakeholders could look at opportunities to ensure better alignment in their efforts to promote skills and job creation. The establishment of a representative advisory body that helps to coordinate public policies at the national level and facilitates cooperation between the central government and regional authorities could be considered. The national level is also well placed to establish a strong vision for skills policies. This vision should be evidence-based and include a clear alignment of economic and labour force development and could build on the HRD Strategy developed in 2003. The OECD Skills Strategy could provide a useful framework for the Czech Republic to develop a whole of government approach to skills and training.

To join up efforts locally, OECD research has identified a number of governance mechanisms, which could be considered in the Czech context. Brokers can be used to act as intermediaries to engage horizontally with a broad set of policy areas to solve problems. In Australia, the government has recently introduced Local Employment Coordinators, whose specific function is bringing together local stakeholders to develop locally based solutions to labour market challenges, including organising local job fairs to connect the unemployed with employers.

Operational and strategic platforms can also be a way to create a more networked approach to employment policy and to bring together different actors. Rewarding officials for collaboration (and specifically for the additional outcomes achieved through this) and providing additional funding to cover the costs involved can also be helpful. The Local Workforce Investment Boards in the United States provide an good model for how to join up employment, training, and economic development efforts through a flexible policy framework – see Box 4.3.

**Box 4.3. Examples of locally based collaborative governance structures in other OECD countries**

**Workforce Investment Boards in the United States:** In the United States, the Local Workforce Investment Boards (LWIBs) have played a strong role in creating more integrated strategies to address employment and skills within broader economic development strategies locally since 1998. There are over 600 WIBs across the US, at the state and local level, and they are strongly business-led, being both chaired by business and having a majority of business members. Each Local Workforce Investment Area is governed by a Local Workforce Investment Board, which is responsible for providing employment and training services within a specific geographic area. The LWIBs administer Workforce Investment Act services as designated by the Governor and within the regulations of the federal statute and U.S. Department of Labour guidelines. There are also designated seats for representatives from labour unions and local educational institutions, with economic development officials sitting on the boards in many states. While performance of the boards varies, in some areas they have developed strong integrated strategies which bridge across employment, skills and economic development. LWIBs are typically an extension of a local government unit, which in most cases is the county government and can include more than one government entity. They are not agencies of the federal or state governments, and the staff are not comprised of federal or state employees.

Source: OECD (2014, forthcoming), *Employment and Skills Strategies in the United States*, OECD Reviews on Local Job Creation, OECD, Paris.

**Recommendation: Support the development of evidence-based tools to make better decisions about employment and training programmes. Develop more rigorous policy evaluations and ensure that evaluation results are fed into policy making.**

In order to build a strategic approach that is relevant to local conditions, it is essential to have a strong evidence base. Collecting and analysing evidence is a critical step in any policy cycle where local providers look to understand what is working and where efforts could be strengthened. This information should feed into the policy development process and enable a focus on continuous improvement. There is capacity to support the development of evidence-based tools in the Czech Republic to help frontline staff and customers make better decisions about employment and training services to meet the local needs. Authoritative and updated local labour market skills profiles are important in framing providers' strategies and strengthening accountability and can also galvanise local actors into a common agenda for action when used well.

National and regional governments could consider further disaggregating labour market data to support skills analysis at the local level. This can include expanding samples of the national Labour Force Survey and developing better regional surveys by improving how local labour offices collect labour market data. There is a need for more information on labour market trends and a greater focus on anticipating future employment trends at the regional labour market level. Information on skill needs should be widely available to local stakeholders to be able to make informed decisions about relevant education/training and careers.

The limited regional data is partially a consequence of the low evaluation culture in the Czech Republic as well as a lack of evaluation expertise at all administrative levels. Rigorous evaluations that assess the real impact of public actions on the labour market are virtually absent, especially in the area of active labour market programmes and policies. Building an evidence base through high quality evaluation requires not only evaluation

expertise but strengthened analytical and management capacities within the Labour Office. There is scope to develop more rigorous policy evaluations that focus not just on processes and outputs but also on outcomes and impacts. Policy makers in the Czech Republic should ensure that evaluation results are fed into policy making and that providers are held accountable to outcome-based performance criteria.

**Box 4.4. Research Institute for the Evaluation of Public Policies, Trento, Italy**

The Research Institute for the Evaluation of Public Policies (*Istituto per la Ricerca Valutativa sulle Politiche Pubbliche*,) is a policy-orientated research organisation established in Trento, Italy in 2008. The Institute provides evaluations of the impact of public policy to international, national and local agencies in order to help establish evidence-based policy making.

Its research covers labour market policy, economic and industrial policy, welfare policy, and social and economic policies in developing countries. Research findings are disseminated, policy evaluators are trained and a policy-relevant data archive has been established.

Locally relevant research projects of the research institute include ex-post evaluation of the merit-based financial aid to students (a programme encouraging students from low income families to obtain higher education) and the Minimum Income Guarantee programme. The evaluation of the Guarantee will include: take-up rates amongst the target population, its impact on labour supply and its impact on household consumption.

The Labour Agency of Trento, Italy recognises the importance of such evaluations in helping determine the effectiveness of its policy interventions. The Labour Agency also recognises that working with the IRVAPP/FBK in this way represents a shift towards normalising systematic monitoring and evaluation of public policy in the province.

Source: Barr, J., et al. (2012), "Local Job Creation: How Employment and Training Agencies Can Help – The Labour Agency of the Autonomous Province of Trento, Italy", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2012/17, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k919d0tr1f6-en>.

## Adding value through skills

**Recommendation: Education and training provision would benefit from being more targeted at lower skilled workers. There is also scope to build in a stronger emphasis on generic and soft skills in course curricula.**

There is a variety of training opportunities which is flexible, modularised and provision broadly covers a wide range of sectors with an increasing amount becoming certified. However, life-long learning is underdeveloped in the Czech Republic with lower participation rates than the OECD average, and the sector is dominated by free market enterprises. One type of training that is government regulated and subsidised is retraining for the unemployed and provision is based in part on previous up-take. For employed workers, there are various delivery models that enable them to participate in training (e.g. part-time education, distance learning).

Existing national initiatives target workers in specific growth sectors such as the Get Trained for Growth! and Get Trained for Stability programmes. However, on the whole, professional development and career progression for low-qualified workers in employment is not systematically supported. Policies and programmes should continue to focus on providing training for existing employees, particularly those in lower-skilled jobs who will continue to be at risk of redundancy, as well as those in small and medium sized



enterprises, who may not have similar access to work-based training opportunities. There is also scope to continue to develop the National Register of Vocational Education in order to make a more systemic link between the world of skills and labour market needs.

Training programmes could be orientated in such a way that they teach higher level generic skills and soft skills, rather than being narrowly focused on specific technical skills. Demand for generic skills is increasing in today's knowledge-based economy and it is not just those at the top of the employment ladder who need these skills. There is increasing recognition and inclusion of such skills into continuing education programmes but compulsory education lacks systemic incorporation of key soft competences highly demanded by employers (especially communication, organisation, teamwork, individual problem solving) in teaching and assessment tools.

#### Box 4.5. Korea, Job World

Korea Job World is an interactive vocational experience centre located in the city of Seongnam-si in the Gyeonggi-do province, providing career guidance to the public in general, and young people in particular. It consists of an 80 000 square metre, six-story building, offering visitors a unique opportunity to explore and experience various occupations and career opportunities in an interactive way. It is designed to help people obtain a realistic view about possible professional choices and prospects, and to give career advice based on individual interests and aptitude. Visitors are guided through three main halls: The World Hall, Job Experience Hall, and the Career Design Hall. In the World Hall, images and descriptions about typical occupations and their employment trends are provided, whereas in the Job Experience Hall (mainly aimed at children and youth) these can be experienced in realistic settings. Finally, in the Career Design Hall visitors can perform an animated test based on the information and experiences gathered from the other rooms, testing their occupational interests and aptitude and given career advice accordingly. Korea Job World was opened in August 2012 after a period of pilot operation, and now hosts around 3 000 visitors a day.

Source: OECD (2014, forthcoming), *Employment and Skills Strategies in Korea*, OECD Reviews on Local Job Creation, OECD, Paris; Ministry of Employment and Labor (2012b), *2012 Employment and Labor Policy in Korea*, Ministry of Employment and Labor, Republic of Korea, p. 43, [www.moel.go.kr/english/data/130111\\_2012\\_Employment%20and%20Labor%20Policy.pdf](http://www.moel.go.kr/english/data/130111_2012_Employment%20and%20Labor%20Policy.pdf).

#### **Recommendation: Ensure that employers are more fully involved in the design of training programmes to make provision more relevant and responsive to the needs of the local economy.**

PES and VET institutions have limited ability to rapidly develop courses that respond to local employers, something which has become more evident with the recent crisis. Employers report that training curricula do not sufficiently meet their needs, particularly SMEs, despite the work of the sector councils in developing labour market strategies. The lag between need and action is too long in some cases. Although there is some flexibility in the delivery of employment and training programmes, responsive demand-driven approaches are virtually absent. Creating a more responsive system to skills shortages and gaps can prevent short-term skills shortages, but it can also result in short-term skills planning and a lack of strategic thinking for skills needed in the longer term.

The Ministry of Labour and Social Affairs and Labour Office are exploring ways of more actively engaging with employers and how training programmes can be aligned to their

needs. They are also examining incentives to encourage employers to invest more in staff training and regionally specific initiatives. OECD research has demonstrated the importance of building on strong employer networks that already exist (OECD, 2013b). Efforts to promote employer engagement could look to involve the sector councils in identifying labour market challenges and training requirements. Government financing can play a critical role in bringing employers together to develop training initiatives. Skillnets in Ireland is a good example of a working more closely with employers (particular SMEs) through sectoral networks.

**Box 4.6. Promoting and facilitating workplace training in Ireland – Skillnets**

Skillnets was established in 1999 to promote and facilitate workplace training and up-skilling by SMEs. It is the largest organisation supporting workplace training in Ireland. In 2011, it had 70 operational networks through which it trained over 40 000 people for a total expenditure of EUR 25 million. It is a state-funded, enterprise-led body that co-invests with enterprises, particularly SMEs, when they co-operate in networks to identify and deliver training suited to their workforces. A network of SMEs, which are mostly sectoral or regional, is guided by a steering group of the local enterprise representatives. The steering group gives strategic direction and guidance to a network manager who co-ordinates all operational activity leading to the delivery of an agreed training plan with learning interventions suited for the member company workforces. The national programme is co-ordinated by Skillnets Ltd., who contract with all networks and provide programme support and monitoring to ensure the delivery of agreed quantitative and qualitative target outputs.

In 2011, 30 of these networks were located in Dublin, but were predominantly sectoral networks with a national remit and company membership. 25% of all Skillnets member companies and 33% of trainees were Dublin-based. Three networks were specific to the South East region (Carlow Kilkenny Skillnet, South Tipperary Skillnet and Waterford Chamber Skillnet). While Skillnets has a national impact, its influence is largely confined to SMEs which account for 94% of its 10 000 member companies. Originally set up to cater exclusively for the employed, since 2010 Skillnets has a mandate to include the provision of training for jobseekers. This happens both in an integrated manner with jobseekers attending programmes with employees, and also by focusing exclusively on the needs of jobseekers through the provision of dedicated longer-term programmes (e.g. the Jobseeker Support Programme) which includes work placements. Skillnets launched a pilot training initiative, ManagementWorks, providing management training to the SME community with a key focus on owner-managers.

Source: OECD (2014), *Employment and Skills Strategies in Ireland*, OECD Reviews on Local Job Creation, OECD, Paris.

**Recommendation: The apprenticeship model should be updated to provide better quality and more relevant training opportunities.**

There is a concern about the relevance of secondary education and apprenticeships which is reflected in the low employability of graduates and apprentices. The number of graduates with vocational education has been falling due to demographic factors and preferences for pursuing university based-education. This trend is a significant problem as it results in vocational skills shortages in the labour market. Continued action to adjust secondary education provision more to labour market needs is needed which can include closer cooperation with employers and more schemes to support school-to-work transitions.

The apprenticeship system should be upgraded to ensure it gives trainees good quality training in relevant sectors and thus becomes a more attractive option for youth, and is well regarded by employers. It could benefit from being expanded into a broader array of economic sectors, with particular focus on growth areas. Bringing together apprentices for training could also be considered to ensure they have a sufficient knowledge of generic subjects and skills, and benefit from modern training facilities. A reform process should be initiated to consider how to make the system more responsive to both individual and employer need.

**Box 4.7. Review of the Apprenticeship System in Northern Ireland, United Kingdom**

There has been increasing interest in apprenticeships both as a route into employment and also in raising the skill levels of the workforce. However, as it currently stands, there are only a limited number of apprenticeships available within traditional sectors. The Minister for Employment and Learning has recently announced a review of apprenticeships which will look at a wide range of issues relating to apprenticeships including the role of stakeholders (employers, training providers, unions, academics, and representatives from the Further Education sector and government) in shaping the programmes, the types of apprenticeships that would benefit from government funding, how SMEs can be encouraged to engage with apprenticeships, the potential expansion of apprenticeships into the professions, and, how parity can be created between apprenticeships and other Further and Higher Education pathways. An Expert Panel has been appointed to support the Review and the results of the Review are expected to be published in autumn 2013.

Source: OECD (2014), *Employment and Skills Strategies in Northern Ireland*, OECD Reviews on Local Job Creation, OECD, Paris. <http://dx.doi.org/10.1787/9789264208872-en>.

**Recommendation: Support the development of a career counselling system for youth and adults and promote greater cooperation among career counselling stakeholders.**

An effective career counselling system should assess individuals' acquired skills and propose ways of enhancing or acquiring new ones. Career guidance in the Czech Republic is seen as inadequate for both young people and adults. Educational counsellors tend to have limited knowledge of current labour market needs and job profiles. Career support for youth in schools needs quality assurance mechanisms, adequate resources and more systematic cooperation with LOs and other institutions in acquiring labour market information.

The labour offices can play a significant role in career advice. Since early 2013, the Ministry of Labour and Social Affairs has sought to provide better and more extensive career advice and assistance to jobseekers, employers, municipalities and social partners, and to improve communication between local contact offices. While addressing the development of career guidance will be a long term challenge for the Czech Republic, the increased emphasis is welcomed. The government could consider developing tools (e.g. early assessment, profiling), organisational changes (setting client zones) and additional resources (staff numbers, training, additional funds).

Other actors such as private agencies or NGOs can play a more significant role in the delivery of counselling services to specific target groups. For example, the new Regional Information and Education Centre in the South Moravian region could be used as a

nationwide model to address the needs of adults and promote continuing education activities. Greater cooperation between career counselling providers at the regional level would be beneficial in making such services more accessible for various adult groups and mapping provision.

Job profiles are mapped on the national level by sector councils and described in the National System of Occupations. The National Register of Vocational Qualifications recognises skills and competencies and certifying skills constitutes an important aspect of career mobility. It is important that this link between labour market needs (defined by employers) and qualifications being developed through the National System of Occupations is strengthened.

OECD LEED research shows that career ladders and career clusters (a grouping of occupations and broad industries based on commonalities) offer a useful way of bringing together employment agencies, career advisors, education and training bodies and industrial consortia to construct route-maps to training and employment for youth and low skilled adults. They also help to make the labour market more transparent which facilitates supply and demand matching (Froy and Giguère, 2010). A career ladder approach offers a mechanism to re-create a traditional career ladder externally. The main components of this approach include:

1. Defining appropriate training with industrial consortia and colleges.
2. Adapting training to the needs of working adults.
3. Linking training to career transitions, from entry-level to higher-level workers.
4. Disseminating information through careers advice.

Career pathways and clusters ensure education is aligned with the labour market by combining careers advice and continuous training efforts to support job retention and progression. It is critical that when young people start work that follow-up support is provided to ensure they are gradually building basic employability skills, particularly for those poorly integrated into the labour market. This support will help ensure sustainable employment and that young people gain the skills necessary to retain a job and acquire more responsibility. The National Register of Vocational Qualifications and National System of Occupations, along with sector councils, could look more closely at introducing career cluster elements into their work.

While career ladders can support entry and progression in individual industries and sectors, it is also helpful to build horizontal links across sectors to build “career clusters’ at a local level. This approach was promoted in the United States by the Department of Education through a career cluster initiative which has been adopted by many states and regions and customised to their local labour markets. Job profiles are mapped across entire industry so learners and workers can see how different careers interact and rely on one another. Within each career cluster, there are between two to seven career pathways from secondary school to college, graduate schools, and the workplace. They enable low-skilled low-income learners and workers in particular to make connections to future goals, providing motivation for enrolling in a series of related courses (OECD, 2013e). Maryland started working on career sectors and clusters in 1995 as a way to develop programmes extending from high school to colleges, universities, graduate school and beyond – see Boxes 4.8 and 4.9 which provide examples of how the public employment service works to support employment access and career progression opportunities.

#### Box 4.8. Maryland career sectors/clusters, US

Maryland started working on career sectors/career clusters in 1995 under the School to Work Opportunities Act. 350 business executives in ten different sectors were brought together to inform education policy makers about their bottom line – how they made money and what they needed to be successful. The original project was funded with USD 25 million of Federal School to Work funds, and the approach was very bottom-up: “we let 1 000 flowers bloom,” identified one state representative. “We looked at large clusters, mapped out what knowledge and skills are required, and developed program[me]s around big chunks of skills.” Within each county there is a Cluster Advisory Board (CAB), focused on different industry clusters.

In Montgomery County, for example, which is home to the third largest biotechnology cluster in the United States, there is a CAB focused on the Biosciences, Health Science and Medicine cluster. Administrators, counsellors and faculty members are using the career cluster system to develop programmes that extend from high school to two- and four-year colleges/universities, graduate schools, apprenticeship programmes and the workplace. Although the cluster framework was originally developed for high schools and young people, it is now being adopted by workforce investment boards and other programmes serving adults.

*Source:* OECD (2014, forthcoming), “Local Youth Employment Strategies: Ireland”, *OECD Local Economic and Employment Development (LEED) Working Papers*, OECD Publishing, Paris.

#### Box 4.9. Sectoral initiatives to meeting skills demands in Antwerp, Belgium

The public employment service (VDAB: Flemish Service for Employment and Vocational Training) has been working directly with the City of Antwerp to support employment access and progression within key areas of the local economy, including construction and the tertiary sector. By bringing together education, labour market and sectoral partners, local employment bottlenecks could be approached in a comprehensive manner, while also supporting access to career progression by lower skilled people. It was recognised early on that a targeted sectoral approach required a sound knowledge of the local labour market.

##### **Identifying the situation: skills needs analysis for the tertiary sector**

To develop training and employment in the tertiary sector in Antwerp, a skills analysis was first developed in co-operation with labour market and education partners under the guidance of a non-profit research and consultancy bureau (WES). Available quantitative data was reviewed and a qualitative survey conducted with local companies. Through the qualitative research it was found that satisfaction with skills levels was fairly low in the tertiary sector for almost all types of skills, and this was true across all sub-sectors. Companies identified that new entrants to the labour market lacked occupationally specific skills and French language skills (service sector workers are expected to be fluent in both French and Flemish). In addition, they were felt to show insufficient flexibility. Following the surveys, partners came together in a workshop to perform a SWOT (strengths, weaknesses, opportunities and threats) analysis of the sector, as a basis for planning a strategic response to addressing skills needs.

**Box 4.9. Sectoral initiatives to meeting skills demands in Antwerp, Belgium (cont.)**

**Raising skills levels in the construction sector**

The city of Antwerp has also developed a joint approach in the construction sector, called *Talentenwerf* (literally translated as “talent building site”). This is a partnership between the VDAB, the city of Antwerp, the Antwerp Education Council and the *Fonds voor Vakopleiding in de Bouw/FVB* (Fund for Professional Training in the Building Industry). The organisations gathered staff and knowhow under one roof to produce a one stop shop for construction companies, their workers, jobseekers and local schools. Large infrastructural works planned in the city will require thousands of extra construction workers, despite the economic downturn. Apart from matching supply and demand much attention is devoted to the development of innovative training programmes with the highest possible participation from companies. A temporary training infrastructure is also provided on building sites so as to bring training and education closer to industry. The *Talentenwerf* is run by staff from each of the different partner organisations, with the process being jointly steered by a co-ordinator, a management committee and a policy working group.

Source: Froy, F. and S. Giguère (2010), “Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level”, *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2010/13, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5km7jf7qtk9p-en>.

## Targeting policy to local employment sectors and investing in quality jobs

**Recommendation: Place a greater emphasis on emerging growth sectors and ensure the employment and training system is well aligned to these areas.**

Employment and training programmes are geared towards a broad range of employment sectors but there are few sector-based approaches to skills. There appears to be less awareness of how these programmes could capitalise on global trends to contribute to future employment growth and no analysis is carried out to identify the potential impact of global trends on the local labour market. Labour market forecasting at the sub-national level to identify emerging markets is still in the nascent stages of development.

Given demographic changes, the care sector could be a potential area of future employment growth and expansion of this sector may produce positive externalities. For example, improved care services can free up family members of working age (particularly woman) to go back to work. Further consideration on opportunities provided by future growth areas may better guide decisions on skills initiatives and programmes. However, it is important to bear in mind that while this is useful in creating programmes that are well targeted to specific sectors, there is a risk of failing to serve broader economic diversity and becoming over-reliant on a small number of sectors.

In the United States, local and regional government agencies have increasingly adopted sectoral strategy approaches to economic development and a similar approach is surfacing in the workforce-development field. Ireland has recently launched a national programme for long-term jobseekers to assist them in gaining in-demand skills and to access work in growth sector, including ICT, digital media, healthcare and social services, and the green economy – see Box 4.10.

**Box 4.10. MOMENTUM programmes – more innovative, rapid responses to employers’ training needs**

A recent Irish government initiative has been launched which will provide free education and training projects for up to 6 500 long-term jobseekers to assist them in gaining in-demand skills and to access work in sectors of the economy where there are job opportunities. The programmes include on-the-job training in the form of work experience modules as well as the development of the workplace skills required to obtain and retain employment. 36 education and training providers from both the private and public sectors will offer 62 individual MOMENTUM programmes in 87 locations across the country. These projects will be in the expanding employment areas of ICT, digital media, healthcare and social services, the green economy, food processing, and sales and marketing. Programmes are based on clusters of occupations in sectors associated with good national employment opportunities. Specific projects will also be available for those under 25 to assist them to enter or return to employment, including “Train To Work Opportunities”, “Green Pathways”, and a Graduate Activation Programme.

MOMENTUM is an outcomes-based model of education and training. The payment system to providers is outcomes based with part payment reserved for key stages of the programme, including challenging certification, progression and employment outcomes at the end of the programme. The courses are tailored to both the needs of the long-term job-seeker, but also employers who are experiencing skills shortages. MOMENTUM is administered by FÁS and funded by the Department of Education and Skills through the ESF supported Labour Market Education and Training Fund.

*Source: Employment and Skills Strategies in Northern Ireland, United Kingdom, OECD Reviews on Local Job Creation, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208872-en>.*

**Recommendation: Put more emphasis on skills utilisation approaches to create and attract better quality jobs and productivity.**

The recent economic situation in the Czech Republic has brought about an emphasis on the quantity of job creation and the need for better quality jobs is seen as very much a secondary issue – a trend which can be found in many OECD countries. In many approaches to skills development, there appears to be a conflict between short-term priorities and long-term needs. While flexibility is necessary in times of rapid changes, too much of a short-term focus with a lack of strategic consideration can negatively affect investing in quality jobs in the medium to long-term. The Czech Republic has an outdated skills strategy – the Human Resource Development Strategy 2003. An updated strategy could put a greater emphasis on job quality considerations and improved coordination in the skills area at the central, regional and local levels. A number of bodies are well placed to take a leading role in connecting and driving forward workforce development issues and ensuring a greater emphasis on job quality such as HRD Councils, employer sector councils, Czech Invest and regional development agencies.

Increased support for innovative and entrepreneurial approaches to skills is needed, particularly to raise productivity which is below average in the Czech Republic. Regions which do well over the long term are those which continuously improve and innovate to take advantage of new markets. This means maintaining flexibility while also creating strategic leadership and bringing resources together to create the critical investments necessary to lead to innovation and change, both in the public and private sector. There is little attention paid to improving work organisation or labour productivity.

Universities and training institutions are actively involved in delivering and supporting applied research in a broad range of fields relevant to the regional economy (e.g. via Innovation Vouchers, and in South Moravia in particular research and technology transfer by academic institutions is hugely promoted to boost regional innovation potential, with close working with employers). Learning from the good practice in this region and encouraging similar actions in other Czech regions could boost productivity and innovation nationally and push more regions into a high skills equilibrium.

Promoting innovation is not linked just with high-tech sectors or high-skilled jobs. OECD research (Froy, Giguère and Meghnagi, 2012) has demonstrated that there is also value in pursuing actions to boost productivity in local sectors which have traditionally hosted low-skilled jobs (for example tourism, retail, lower-tech manufacturing), particularly where such sectors are likely to remain an important source of future employment. The focus can be on stimulating incremental innovation in sectors which dominate the local economy – this would be particularly beneficial for a region like Ústí nad Labem region where there is low demand for high skills and low supply.

OECD research stresses the importance of not just building the supply of skills in a local economy but also ensuring that skills are effectively utilised by employers. There are a number of tools which local stakeholders can use to support better work organisation and skills utilisation in order to increase productivity while improving job quality (Froy and Giguère, 2010; Froy, Giguère and Meghnagi, 2012) (see Box 4.11).

#### Box 4.11. **Tools to raise the quality of local jobs and improve skills utilisation**

##### **Guidance, facilitation and training**

- Support technology transfer: facilitating investment in new technology by employers, setting up partnerships for the sharing of innovation and new technologies.
- Provide technical assistance to improve working conditions and work organisation: this may mean the re-professionalisation of front-line positions in some sectors and a reduction in dependence on temporary staff, while in others it may mean better problem solving in the workplace. Providing staff with enough time to pass on skills and learning is also important.
- Encourage participation in training for both managers and workers: better trained managers are likely to create more productive working environments for their staff. At the same time, companies need to be encouraged to make training and other skills development opportunities available to their employees.

##### **Influencing broader public policies**

- Remove local disincentives to a focus on quality in the public sector: this may include changing incentive structures for local employment agencies so that they concentrate on the quality and not just the quantity of job-matches.
- Ensure that skills policies are embedded in economic development policies: local partnerships are needed between business and policy makers in the sphere of economic development, education and employment, in order to ensure that skills policies are understood in the context of broader economic development.

Source: Froy, F. and S. Giguère (2010), "Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2010/13, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5km7jf7qtk9p-en>.



Graduate skills mismatch is becoming more common as young people take jobs for which they are overqualified. While taking a job can often be a starting point into the working world and strong performing young people can quickly move into higher skilled positions, it can also result in a waste of talent and a poor return on the investment if their skills are continually underutilised. In addition, those with lower skills are pushed further down the career ladder and qualification inflation can also result. Higher skilled young people may leave their region to look for better employment possibilities, representing a “flight of talent”. Skills and economic development strategies should address the demand/supply mismatch and provide opportunities to use the skills of graduates by taking a more imaginative approach to how their skills can best be applied. The Copenhagen Career Centre for University Graduates was recently set up in the Copenhagen Job Centre and it has sought to widen the kind of jobs university graduates are looking for, translate qualifications into sectors where there is a skills shortage and where employers have not seen a neat fit previously. Ultimately it seeks to provide new employment opportunities for graduates and particularly within SMEs – see Box 4.12.

**Box 4.12. Copenhagen Career Centre for University Graduates  
– Targeting Employment in SMEs**

In Denmark, university graduates are among the most vulnerable groups facing up to 60% of unemployment in the first year after graduating. This is especially apparent among graduates with a Master of Arts degree, librarians and architects. Graduates seem to lack information on labour market demand, very rarely search employment in areas not directly linked to their diploma and have low geographic mobility.

The Copenhagen Career Centre for University Graduates was created in 2012 in the Copenhagen Job Centre (Public Employment Service) with a dual focus: to translate skills and competences of university graduates to match the needs of SMEs and to work with SMEs to better identify their recruitment needs. The centre aims to expand the job search of university graduates and encourage them to re-think where their qualifications and specializations could lead them, and also to open the doors to their employment in SMEs. It is funded from municipal budget and has some 30 employees. Activities include:

- Counseling and guidance.
- Early activation measures to widen job search (including geographical mobility) from day one.
- Working with SMEs to encourage them to rethink their hiring needs.

This is reinforced by intensive networking activities with unemployment insurance funds, universities and other stakeholders, as well as by close collaboration with Copenhagen Municipality Business Service (which supports business startup and growth). It is part of an overall effort to integrate employment policy and industrial policy in the City of Copenhagen. Social innovation, trust based management, active involvement of employees and continuous development of the skills and competences of councilors are seen as key ingredients of this initiative. It is planned that after the current trial period of one year and a half it will be mainstreamed within the Public Employment Service.

*Source:* OECD (2014, forthcoming), “Local Youth Employment Strategies: Ireland”, *OECD Local Economic and Employment Development (LEED) Working Papers*, OECD, Paris.

A more proactive approach to public procurement can be a critical tool to improve job quality and skills utilisation, such as by awarding contracts to tenderers who offer quality jobs (e.g. for vulnerable groups). Using public procurement to stimulate local job quality requires acknowledgement that value for money is not about the lowest cost but also includes social, economic and environmental benefits which may yield returns in longer period. Some localities have also been examining the potential of a ‘living wage’ to bring about better jobs for residents. Hamilton, Canada, has a living wage policy that stipulates that contractors with the city must pay a wage that allows the worker to have housing and live reasonably within the community – see Box 4.13.

#### Box 4.13. **Hamilton Living Wage Campaign**

The Living Wage Hamilton coalition is comprised of the Hamilton Roundtable for Poverty Reduction, the Hamilton Community Foundation, McMaster Community Poverty Initiative, Social Planning and Research Council, and Workforce Planning Hamilton. A living wage is the hourly wage needed for a family to afford basic everyday expenses, such as housing, food, clothing, utility bills, and child care. In 2011, Hamilton’s living wage rate was calculated at \$14.95.

Living Wage Hamilton is currently developing a Living Wage Employer Recognition Programme. The programme will include three levels that will recognise the living wages employers already pay and the steps they want to take towards ensuring all workers earn at least a living wage. The details of the programme are part of the conversations Living Wage Hamilton is holding with employers and workers across the city.

*Source:* OECD (2014, forthcoming), *Employment and Skills Strategies in Canada*, OECD Reviews on Local Job Creation, OECD, Paris.

## Being inclusive

**Recommendation: Both private and public sector employers should be encouraged and supported to make their workplaces more suitable to those with family responsibilities.**

There is a high gender unemployment rate gap in the Czech Republic, with women less likely than men to participate in the labour market, as well as a significant pay gap. Men are also more likely to complete secondary level education. There is a consensus among stakeholders that the less favourable position of women in the labour market results mainly from the lack of flexible employment opportunities. Very long periods of parental leave for mothers, insufficient childcare capacities, scarce part-time work and the relatively high employment rate of low skill/low wage women without children translates into a relatively high gender wage gap. More support for the reconciliation of work and family life is needed, with a specific emphasis on the re-integration of women (especially with young children or caring for dependent family members) into the labour market.

There is room to consider how childcare policies can be better adjusted to the needs of families. This could contribute to boosting female employment rates. Preschool education affects students’ success in later education and lifelong learning. Despite the traditionally strong network of preschool facilities, over the last couple of years it has become more difficult to get an available place for a child, typically in the suburbs of large cities. The ‘child group’ initiative is a good start in helping to overcome childcare capacity deficiencies, and demographic developments will also help to solve the situation over time.

Preschool education should be preserved and its quality enhanced to better develop the potential of children for subsequent learning stages. Box 4.14 sets out examples of steps taken in other countries to establish family friendly policies in the workplace.

#### Box 4.14. Family friendly policies in the workplace

**Australia:** Family friendly policies have been comprehensively promoted by the government for almost two decades to assist with the reconciliation of work and family. These policies also reflect broader social and economic goals including early childhood development; growth in the labour supply; and ensuring business can benefit from a diverse workforce. The last major initiative, completing the suite of family friendly policies was the introduction of a government paid parental scheme. This scheme came into effect in 2011 and provides for 18 weeks leave at the full-time federal minimum wage. Until that time, only a quarter of women in low paying jobs had access to paid parental leave provided by employers (ABS 2009).

**Ontario, Canada:** Ontario, Canada has invested heavily in providing early childhood education on a province wide basis by establishing full day kindergarten for four and five year old children. In September 2010, Ontario began phasing in the Full-Day Kindergarten Programme, with full implementation in all schools by September 2015. The schools day runs from 9:00 am – 3:00 pm and each school is also encouraged to offer before and after-school programming (e.g. child care) on site outside of these hours, with the goal of creating a seamless day for children and parents. Four- and five-year-olds will learn under the guidance of a teacher and an early childhood educator. This will make it easier for parents to get to and from work and will ensure their children have an integrated learning program for the whole day.

Source: OECD (2014), *Employment and Skills Strategies in Australia*, OECD Reviews on Local Job Creation, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264207899-en>. OECD (2014, forthcoming), *Employment and Skills Strategies in Canada*, OECD Reviews on Local Job Creation, OECD Publishing, Paris.

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## ANNEX A

### *Interviews and roundtables in the Czech Republic*

#### Interviews

A series of face-to-face interviews were carried out by the national expert in order to gather information for this report. These interviews took place from September 2012 to December 2012. All interviews, which were strictly confidential, covered the four main thematic areas of the report and were guided by the questions contained within the methodology. The following stakeholders from the two case study regions provided background information or direct input for the methodology:

- Chomutov municipality, Ústí nad Labem.
- Jan Evangelista Purkyně University, Ústí nad Labem.
- Labour Office (Directorate General).
- Labour Office regional branches in Ústí nad Labem and South Moravia (Brno).
- Masaryk University in Brno.
- Ministry of Education, Youth and Sport.
- Ministry of Labour and Social Affairs.
- Ministry of Regional Development.
- National Training Fund.
- Olešnice municipality, South Moravia.
- Regional Authorities in South Moravian and Ústí nad Labem regions.
- Regional Chambers of Commerce of Ústí nad Labem and of South Moravia.
- Research Institute for Labour and Social Affairs.
- Retraining and Information Centre, Most, Ústí nad Labem.
- South Moravian BEVE (Training and Information Centre).

#### Programme of OECD Secretariat visits and roundtables

Three roundtable meetings were held in the Czech Republic by the OECD, with the assistance of the Ministry of Regional Development, in April 2013. One was held in each of the case study areas and a national roundtable was also organised. See below for the participating bodies in each:

##### **Wednesday 3rd April, Ústí nad Labem region roundtable, Ústí nad Labem**

- Ministry of Regional Development
- Regional Authority, Strategy, Project Preparation and Implementation Department

- Regional Authority, Head of Regional Development and Tourism Department
- Department of City Development, Ústí nad Labem City
- Assembly Member of Ústí nad Labem Region
- Regional Authority of the Usti Region
- Retraining and Information Centre, Most
- Labour Office, Ústí nad Labem
- VYCERRO (Research Institute for Competitive and Sustainable Regional Development)
- Association of NGOs in the Ustí nad Labem Region
- Jan Evangelista Purkynì University

**Thursday 4th April, South Moravia region roundtable, Brno**

- Department of Regional Development, Regional Authority
- Mayor of Nová Lhota (municipality)
- Brno City Hall
- Strategy, South Moravian Innovation Centre
- Regional Council of Trade Unions
- BEVE (Training and Information Centre)
- District Chamber of Commerce, Hodonín
- Chamber of Commerce of South Moravia
- Confederation of Commerce and Tourism of the CZR
- Dring Consulting s.r.o.
- Polytechnic Secondary School
- Department of Education, Regional Authority
- Association of NGOs of South Moravian Region

**Friday 5th April, National roundtable, Prague**

- Ministry of Regional Development
- Association of Regions of the Czech Republic
- Chamber of Commerce of the Czech Republic
- Ministry of Education, Youth and Sport
- Ministry of Foreign Affairs
- National Training Fund
- Association of Adult Education Institutions in the Czech Republic
- Ministry of Labour and Social Affairs
- Association of Public Benefit Organizations
- Agency for Social Inclusion

## **ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

### **LOCAL ECONOMIC AND EMPLOYMENT DEVELOPMENT (LEED)**

The OECD Programme on Local Economic and Employment Development (LEED) has advised governments and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. Its mission is to contribute to the creation of more and better quality jobs through more effective policy implementation, innovative practices, stronger capacities and integrated strategies at the local level. LEED draws on a comparative analysis of experience from the five continents in fostering economic growth, employment and inclusion. For more information on the LEED Programme, please visit [www.oecd.org/cfe/leed](http://www.oecd.org/cfe/leed).

# OECD Reviews on Local Job Creation

## Employment and Skills Strategies in the Czech Republic

The Local Job Creation series focuses on the role of employment and training agencies in contributing to job creation and productivity. It explores how OECD countries are implementing labour market and skills policy and putting measures in place at the local level to stimulate quality employment, inclusion and growth.

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*Annex A.* Interviews and round tables in the Czech Republic

Consult this publication on line at <http://dx.doi.org/10.1787/9789264208957-en>.

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