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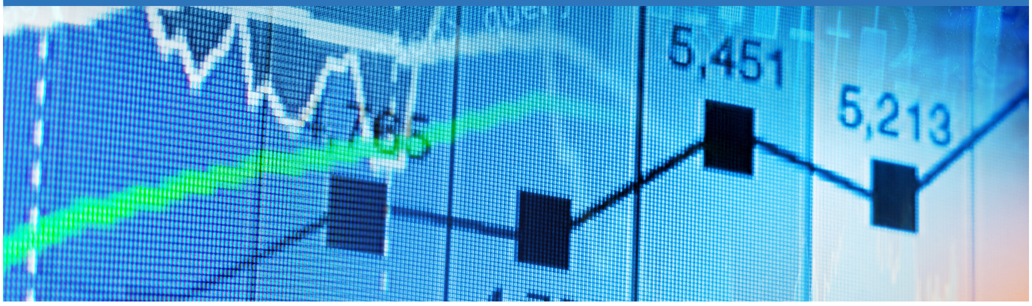
COUNTRY SPECIFIC RECOMMENDATIONS SHOULD SERVE AS A GUIDE; THE IMPLEMENTATION OF REFORMS DEPENDS ON THE CZECH REPUBLIC



In the context of the European Semester, Member States deepened coordination of their economic policies, partially as a reaction to the economic and financial crisis. Based on the European Commission's Country Specific Recommendations endorsed by the European Council, the Council formally adopted a set of recommendations to each of the Member States. According to the Commission recommendations draft from 2nd June the Czech Republic should keep the government deficit below 3% of GDP, implement measures to strengthen the fiscal framework, ensure sustainable public pension system, reduce the high level of taxation on labour, improve the functioning of public employment services, increase quality of the education system and energy efficiency, and adopt Public Service Act. According to Jan Michal, Head of the European Commission Representation to the Czech Republic, it is essential to deal with the issue of high level of taxation on labour and to accelerate the increase of statutory retirement age. *"Most of the Commission recommendations, such as those focused on simplifying the tax system, improving the public employment service or promoting employment of young people and mothers are in line with the plans of the current Czech government and National Reform Programme 2014"*, added Marek Svoboda from the Office of the Government of the Czech Republic. Although the Czech government also agrees with the general objective of long-term sustainability of the pension scheme, increasing the retirement age is considered unacceptable. Radek Špicar from the Confederation of Industry of the Czech Republic sees education and balance between supply and demand in the labour market as key driver for growth, but he stresses the need of effective state investment as well. *"Future growth will mainly depend on how well prepared the Czech workforce will be"*, agrees Jan Bureš from Era Poštovní spořitelna. The potential of the recommendations to contribute to the growth of the Czech economy was discussed during the debate co-organized by CEBRE on 19th June 2014 in the European House in Prague.

RUSSIAN SANCTIONS: HOW MUCH IS AT STAKE?

Apart from the raising geopolitical tensions that the recent development in Ukraine brought, EU businesses have to deal with the consequences of EU sanctions on Russia and the following Russian sanctions on the EU. As the Czech Republic is historically closely related to Russia, the consequences of these sanctions can be very significant for Czech businesses. Although the predictions vary of how significant will the losses be, there is a general consensus that they will be substantial. The Ministry of Industry and Trade of the Czech Republic estimates that Czech companies would lose up to 2.5 billion CZK (90 million EUR) and approximately 850 working places would be endangered. Although it is difficult to predict how long the sanctions will be in place, the Confederation of Industry of the Czech Republic predicts that the losses would go from billions up to tens of billions of CZK, as almost one third of Czech companies that are active on Russian market could be directly influenced by the sanctions. In the long-term run, there is a risk that companies would have to back down from the market and their positions would be replaced by their competitors from Asia. In this context, the Czech Chamber of Commerce came up with more positive prospects. According to a survey among their members, the expected loss counts tens of contracts and several hundreds of work places. However, the survey adds that the real losses will be known not earlier than 2015 as the sanctions do not affect contracts from last year. In reaction to the sanctions the Czech government put in place measures that should help companies penetrate new markets and make up for the potential loss in Russia.; However, this will be a long-term effort. Given the importance of the Russian market, Czech businesses hope for rapid settlement of the situation that would mean business as usual.

CEBRE was founded in 2002 by the three most important Czech business organizations - Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.

www.komora.cz

www.spcr.cz

www.kzps.cz

www.czechtrade.cz

News FLASH

>THE CZECH REPUBLIC CHANGES ITS POSITION ON 2030 ENERGY TARGETS

The Czech Republic has been against having three 2030 climate and energy targets so far, but due to growing political support among Member States the Czech government changes its position. The new official position should be known in the upcoming weeks.

>CZECH PARLIAMENT ACTIVELY COMMENTS ON EU LEGISLATION

According to the latest report on relations between the Commission and national parliaments, the members of the Czech Parliament belong to the most active ones in Europe. Especially the Czech Senate that submitted 64 opinions in 2013; only the Portuguese Senate was more active with its 192 opinions.

>CZECH PARTNERSHIP AGREEMENT APPROVED

On 11th August the European Commission accepted the Partnership Agreement as it was proposed by the Czech government. Finally after three years of negotiations the Czech Republic has the framework that will be used to allocate EU funds in the next period 2014-2020.

UNEMPLOYMENT IN THE CZECH REPUBLIC IS RELATIVELY LOW COMPARED TO THE EU, BUT IN THE LONG-TERM LABOUR MARKET POSES A RISK

Unemployment is currently one of the biggest challenges for the European society. Within the Europe 2020 strategy, the Czech Republic proposed reforms in order to stimulate employment and labour market. Reform efforts have focused mainly on increasing the youth employment, employment of women and people close to retirement age through measures in the field of family policy and active employment policy. Reform measures aimed at creating new jobs and promoting economic growth were the topic of the debate co-organized by CEBRE at the European House in Prague on 13th May. *"The Czech Republic ranks among member states with relatively higher employment rate and lower unemployment"*, pointed out Radek Malý from DG Employment, Social Affairs and Inclusion. According to Mr. Malý the problem is in the overall economic performance, particularly in low rate of convergence. Štefan Duháň from Ministry of Labour and Social Affairs of the Czech Republic said that important strategic documents - Employment Strategy 2020 and Employment Action Plan are in the process of preparation by the Ministry. Moreover, Mr. Duháň appreciated the efforts of employers to retain as much employees during the economic crisis as possible, although it brought also negative effects such as rise of youth unemployment forasmuch as companies did not recruit new employees. Furthermore, he sees the problem in low minimum wage which does not force people without work to look for a job. In contrary, Jitka Hejduková from Confederation of Industry of the Czech Republic does not believe that increase of the minimum wage would significantly affect the level of employment. She emphasizes the importance of short-term measures in the field of active employment policy and reform of education system including support for further education, for example by tax relief. Jaromíra Kotíková from Research Institute for Labour and Social Affairs agrees with the need for reform of education system. *"50% of graduates do not work in their field of study, therefore employers have difficulties to recruit qualified workers"*, she explains one of the reasons for high young unemployment. Therefore, she suggests better cooperation between schools and companies, so that employers would be more involved in training of future graduates.

Štefan Duháň, Ministry of Labour and Social Affairs

EESC CORNER: YOUTH EMPLOYMENT
POLICIES FROM A CIVIL SOCIETY PERSPECTIVE

The EESC´ practical contribution to approach young people to jobs.

Combating youth unemployment effectively is one of the biggest challenges of our time. While Eurostat data showed that the youth unemployment rate stood at twice the unemployment rate of the total population up to the end of 2008, the rate was 2.6 times as high by the end of 2012. The reasons for this are fewer jobs as a result of weak – or negative – growth, reduced domestic demand, cuts and an accompanying freeze in public sector hiring, compounded by the failure to undertake early enough structural reforms of education and the labour market, as well as lack of skills and skills not in demand on the employment market. The youth unemployment rate (i.e. the number of 15-24-year-olds without work as a percentage of the number of economically active 15-24-year-olds) in the EU-28 was 23.3% in 2013. Eurostat also calculates another indicator, the youth unemployment ratio (the number of unemployed 15-24-year-olds as a percentage of the total population of that age group) which for the EU stood at 9.8% in 2013. This indicator shows that many young people in this age group are in education and therefore not even available for work. The Member States are affected by youth unemployment in various ways, with the youth unemployment ratio ranging from 4% in Germany to 20.8% in Spain, and the youth unemployment rate from 7.9% in Germany to 58.3% in Greece. The EESC supporting the common effort of all stakeholders to improve the situation came with two own initiatives. In June, an opinion Youth Employment Measures – Best Practices was adopted, completing best practices in the different member states on how to facilitate transition of young people to the labour market. In January 2014 an initiative was launched in the frame of the Fresh Wind strategy declared by new EESC president. In guarantee of the Labour Market Observatory small members´ delegations have been going local to monitor how the action plans for youth guarantee are implemented in six selected member states – Greece, Croatia, Italy, Austria, Slovakia and Finland. The EESC members contacted and interviewed representatives of the state administration, social partners´ organisations, educational institutions and youth NGOs to collect both positive and negative experiences. The main findings of the final report are: No tailor-made approach is needed, closer link between education and the labour market supports employability and adaptability, youth guarantee cannot replace structural reforms, more pro-active role of the public employment services is needed and entrepreneurial education needs to be promoted.

Vladimíra Drbalová,
EESC Member – Employers Group,
Vice President of SOC Bureau

CEBRE CALENDAR:

- CEBRE consultations with Czech companies – 30th September – 1st October 2014 (Brno)
- Debate on "Energy efficiency" – 2nd October 2014 (Prague)
- Debate on "Investment Agreement with China" – 30th October 2014 (Prague) (tbc)