

# Caritas Cares Czech Republic Report November 2015

## What this report is about

This report describes the main challenges related to poverty and social inclusion in the Czech Republic and provides recommendations for policy makers to address these challenges. The recommendations are based on an analysis of the grass-roots experience of Caritas Czech Republic which are compared to official data.

## About Caritas Czech Republic

Caritas Czech Republic (Charita Česká Republika) provides services to people who happen to be in distress or in difficult social situations, people with disabilities, the terminally ill, homeless people, substance users, prisoners, victims of domestic violence and trafficking, people affected by extreme events such as floods or fires, as well as migrants and refugees. Caritas helps families, men, women, and children regardless of their age, religion or country of origin. In the entire country, Caritas organisations provide 815 registered<sup>1</sup> social services, 85 healthcare services and 308 services of other kinds. In 2014, the organisation reached a total of 104,569 beneficiaries in the Czech Republic in these registered services.



Caritas night shelter, photo by Richard Bouda

**Recent publications by Caritas Czech Republic:** [Caritas Czech Republic Annual Report 2014](#)

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<sup>1</sup>According to the Act on Social Services of the Czech Republic.

**Low wages and accumulated private debt have caused a dangerous poverty trap in the Czech Republic.**

## Czech Republic's main challenges related to poverty and social exclusion:

### ❖ **Over-indebtedness is the number one poverty trap**

The number of insolvency petitions by individuals has increased to previously unheard of levels. Many single parents are affected.

### ❖ **The housing situation has deteriorated dramatically**

For large sections of the population, housing has become unaffordable and inaccessible. Many opt for sub-standard housing.

### ❖ **Working poor: the lowest wages are not sufficient and some people would rather stay on social benefits.**

The minimum wage in the Czech Republic remains the lowest in the EU. In general, net salaries are too low compared to state benefits, thus discouraging some people from working.

## Policy recommendations for the National Government:

### **Access to adequate income:**

1. Introduce means-tested measuring and enforcement of alimony payments, establish an adequate level for required resources that allow all children to realise all rights of the child and establish financial mechanisms (i.e. including financial support by the State in case one parent does not pay) that ensure that all parents or legal guardians meet their obligations.

### **Access to quality services:**

2. Guarantee the implementation of the Act on Social (affordable) Housing within the foreseen time schedule, which should ensure adequate legislative regulation of the rights and obligations of all stakeholders, and allocate sufficient resources in a timely manner as well as through the timeous allocation of resources.

### **Inclusive labour markets:**

3. Increase the level of the minimum wage to CZK 12,000 and impose stricter controls on employers' compliance with labour legislation (e.g. safety standards, over-time compensation, and undeclared work).

### **Other:**

4. Revise the Insolvency Law and the Law on Court Executors and Execution so that Czech legislation provides adequate conditions to reduce the high levels of private over-indebtedness.

# 1. Poverty and social exclusion in Czech Republic: the reality behind the data

## The problems of most concern in Czech Republic

- ❖ Over-indebtedness
- ❖ Inadequate access to housing
- ❖ In-work poverty

### Over-indebtedness

In the Czech Republic, the number of insolvency petitions by individuals increased dramatically between 2008 (1,936 petitions) and 2014 (31,577 petitions).<sup>2</sup> However, these statistics do not take into account the group that cannot apply for debt relief, i.e. mainly those at risk of poverty. This is due to the fact that the conditions for debt relief are often too complicated and discouraging (e. g. to pay 30% of the debts, to pay executors costs and to get the consent of the creditors to debt relief).

It is therefore not surprising that, according to a survey carried out among Caritas social workers in June 2015,<sup>3</sup> over-indebtedness was listed as the most worrying problem of poverty and social exclusion<sup>4</sup> in the Czech Republic. In 2014, Caritas counselling services registered over 27,000 beneficiaries, of which 60% were women and 40% men. Overall, two in five Caritas beneficiaries asked for help with their debt issues.<sup>5</sup>

According to a research study carried out by the Association of Professional Counselling,<sup>6</sup> which covered debt counselling beneficiaries for the period of January-December 2014 and is based on findings from 20 counselling centres specialised in debt issues, 33% of indebted persons are in debt with banks, 36% with non-banking

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<sup>2</sup>CreditReform CZ, 2014, [TISKOVÁ INFORMACE: Vývoji insolventů v České republice v roce 2014](#).

<sup>3</sup> For the purpose of this report, Caritas Czech Republic carried out a nation-wide survey in June 2015. The survey questions were based on a questionnaire designed by the consulting firm [Fresno, the right link](#) that carried out the European-wide survey for Caritas Europa and its Member Organisations, and whose results will be published in the Caritas Cares Report 2015. For the Czech survey, social workers from professional social counselling services (Caritas counselling agencies) were approached; and 34 out of a total of 69 Caritas counselling agencies in the Czech Republic participated in this survey.

<sup>4</sup> 79.41% of respondents ranked “over-indebtedness” as the most worrying problem. Other high-ranked problems include: Long-term unemployment (70.59% of respondents), in-work poverty (50%), access to housing (44.12%) and increasing inequalities and gaps between rich and poor.

<sup>5</sup> Note that this figure does not include beneficiaries from centres specialising in debt-counselling.

<sup>6</sup> Asociace občanských poraden, 2014, *Souhrnná zpráva k projektu „Duhové poradenství za období leden 2014 až prosinec 2014“*.

companies and 31% had other debts. Most of these other debts derive from consumer contracts but also from overdue rent for apartments owned by municipalities, public health insurance fees or pension insurance contributions from former freelancers who often lack income due to secondary insolvency.

In light of these observations, the current legislation on lending and consumer protection can be considered inadequate. The situation is further aggravated by the low financial literacy level of large parts of the population; moneylenders' services exploit this situation and have no restrictions imposed on their services.

In this context, Caritas Czech Republic has observed an increasing number of single parents with dependent children. Their situation is often related to the fact that the former partner either does not pay alimony or that the set level of the alimony is not sufficient and causes (further) indebtedness of the single parent. According to a study conducted by the finance company, Kruk, of all the people in debt, 22% are women<sup>7</sup>; however, more women (58%) seek help with debt-counselling services than men.<sup>8</sup> Furthermore, official statistics reveal that most indebted women (27%) are aged between 35 and 44 and dedicate their time to bringing up their children.<sup>9</sup>

*After Zdena's divorce, she was entrusted with the care of her children. Although the children's father was sentenced to pay alimony, he had not paid for 2 years. Zdena filed a criminal complaint against her former husband, which caused an additional psychological burden for her. In the court ruling, the father was found guilty of committing the offense of neglecting alimony. He was imprisoned. Zdena responded to the verdict: "What good is it to me? I did not get the money! Where should I get the money from? How do I feed my children?" And she began to cry. A Caritas social worker explains her reaction: "If the father does not work or works illegally, and has no assets, the client (the mother) is still in the same situation. She has no chance of getting her alimony for the children, and there is no substitutional financial support in this case. She has no way of feeding her children."*

## Access to housing

44.12% of social workers who participated in the above-mentioned Caritas survey<sup>10</sup> listed access to housing as one of the most worrying problems of poverty and social exclusion in the Czech Republic. In light of the fact that an important share of Caritas services targets homeless persons in the Czech Republic, the organisation draws on its knowledge and experience to highlight the challenges related to access to housing

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<sup>7</sup> CFOworld, 2015, [on-line článek: Ženy se zadlužují o pěti méně než muži](#).

<sup>8</sup> See footnote 6.

<sup>9</sup> See footnote 8 **Error! Bookmark not defined..**

<sup>10</sup> See footnote 3.

in the country. For instance, data from the Czech Statistical Office shows that, while in 2005 the costs of living represented 16% of the average household's spending, this proportion had increased to 18.2% in 2012. In the case of households with lower incomes, the share is much higher.<sup>11</sup> For many households that currently do not have a chance to (re)gain access to standard rental housing, the commercial dormitory is increasingly becoming a long-term or permanent housing solution (even the conditions are not sufficient for long-term living (e.g. the common small kitchen, if available at all, is usually in a very bad hygienic state). This is a particularly worrying trend, as living in commercial dormitories stigmatises people and is often overly expensive if we consider its poor quality.<sup>12</sup> In general, the availability of decent housing has decreased in the Czech Republic due to the trend towards higher deposit requirements for rental homes, the new right of landlords to terminate a tenancy or lease agreement without the consent of the court (Civil Code).<sup>13</sup>

Moreover, the limited availability of social housing must be highlighted. The decrease in the number of publicly-owned social housing units is most apparent in the share of total flats made available by municipalities, which was 7% in 2015 as compared to 39% in 1990.<sup>14</sup> In this context, the loose definition of the right to housing under municipal legislation (see chapter 2 on policies) must be highlighted as a main obstacle to the provision of, and access to, social housing.

*A mother (29 years old) of two children (5 and 4 years old) used to live with the children's father in rented accommodation in a family house. Due to physical violence, she decided to leave her partner and was afraid to live with any other partner. Since she could not afford to rent a flat for herself and her children, she went into a shelter in Breclav, where she stayed for a period of 1 year. According to the law, the maximum length of a stay in any shelter is one year. Therefore, based on the recommendations by the Municipal Office of Authority for the Social and Legal Protection of Children, which worked with the woman and her children, they were transferred to a Caritas shelter in the same municipality last year. The family needed long-term supervision of childcare, housework and management of their finances. In light of the current legal situation of women living in shelters, Caritas has helped the family to apply for another shelter, where they will have to be transferred to after 12 months in the Caritas shelter. This was the only alternative, as the family lives off social benefits which are insufficient to save up for a rental deposit, the municipality does not offer any social housing and the mother is currently not in good mental health, thus affecting her ability to look for additional income. Under the current conditions, their situation appears unsolvable and unfortunately it is just one of the many stories of mothers and children wandering from shelter to shelter.*

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<sup>11</sup>Matousek, R. & Snopek, J., 2014. [ASZ Methodology of Affordable Housing](#).

<sup>12</sup>Lenka Maxová, 2014. [Problems With Dormitory Housing – Is There a Way Out?](#)

<sup>13</sup> See footnote 11.

<sup>14</sup>DNES, 2015. [NOVÝ ÚKOL PRO OBCE, MAJÍ ZAJISTIT BYDLENÍ](#).

## In-work poverty

50% of social workers who participated in the above-mentioned Caritas survey,<sup>15</sup> listed in-work poverty as one of the most worrying problems in the Czech Republic. In their opinion, the Czech labour market lacks quality jobs. This is demonstrated in wages that are insufficient to cover essential needs, such as housing, and unjust working conditions that force people to work unremunerated overtime. Commonly underpaid jobs can be found in social services and education. In the production sector, employers put wage levels under pressure by threatening to move production to lower-cost countries.

### Groups at risk of poverty with the highest need for political action in Czech Republic

- ❖ The elderly (65 years and over)
- ❖ The long-term unemployed
- ❖ Homeless people
- ❖ People with physical and intellectual disabilities
- ❖ Single parents (mostly mothers)

### The long-term unemployed

91.18% of social workers who participated in the above-mentioned Caritas survey<sup>16</sup> highlighted the long-term unemployed as one of the groups<sup>17</sup> with the most urgent need for political action in the Czech Republic. According to official data, the number of long-term unemployed people is increasing from year to year. The share of long-term unemployed people, in comparison to the total number of unemployed people, rose from 39.7% in 2013 to 43.8% in 2014. Additionally, more and more of the long-term unemployed are unable to find employment within a period of 24 months.<sup>18</sup>

Long-term unemployment often entails the inability to create financial reserves and many people in the Czech Republic have fallen into a debt trap. Caritas Czech Republic has been observing particular groups that are mainly affected by this vicious circle: these are young people, single parents and people over 50 years of age.

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<sup>15</sup> See footnote 3.

<sup>16</sup> See footnote 3.

<sup>17</sup> Other groups include homeless people (85.29% of respondents), people with mental and intellectual disabilities, single parents (mostly mothers), and the elderly (65 years and over).

<sup>18</sup> N.B.: The average duration of being officially registered as unemployed rose particularly sharply for the long-term unemployed: while on 3 December 2013, the average period of being unemployed for more than a year was 563 days, it had risen to 639 days by the same day in 2014. (Source: MLSA, Department of Labour Market, 2015. [Statistical Yearbook of the Labour Market in the Czech Republic in 2014.](#))

## Homeless people

The loss of housing is often a consequence of losing one's employment and often leads to the loss of other social contacts with colleagues, neighbours or family members, deteriorating health, increasing debt, and other aspects of social exclusion.<sup>19</sup> Most people use night shelters and outreach programmes for homeless people. In 2014, Caritas provided 167 registered services for homeless people and served more than 26,000 users in these services.<sup>20</sup>

Long-term analysis has shown an increase in the number of homeless people and those excluded from the housing system. According to recent estimations, the number of people sleeping on the street in the Czech Republic is approximately 30,000. Additionally, an estimated 60,000 persons sleep in commercial dormitories which implies unstable and non-standard accommodation. Moreover, about 100,000 people in the Czech Republic are currently at risk of losing their housing.<sup>21</sup>

Lack of affordable housing, the reluctance of municipalities to assume responsibility for improving the living conditions of homeless people as well as the unpreparedness of traditional public policy tools can be considered the main reasons

*After his apprenticeship as a bookbinder, George (now 30) started working and started a family. Two years later, the partnership broke down and George left his partner and daughter. When he was 24, he lost his job and returned to his parents' home. He sold his books and began to borrow from non-banking companies. Several times he was caught in Prague by public transport inspectors and fined (a common way in which Czech people become indebted). Little by little he lost the ability to cope with life's demands; after disagreements with his parents, he moved into a squat, where he was contacted in 2011 by the outreach programme of the parish Caritas in Beroun. During the two-year collaboration with this client, his ID papers were issued, he was registered at the Labour Office and started receiving unemployment benefits. Caritas further helped him to secure affordable housing in a commercial dormitory. George has been living in the dormitory for two years now; he is receiving social benefits to cover some of his material needs, though his accommodation is far from ideal. Even though George would like to get a job, due to his over-indebtedness, he is afraid that once he starts working, if he is not paid in cash, large parts of his salary would be seized and he would not be able to receive any social benefits anymore. All in all, he would have less income and would not be able to pay for his accommodation anymore. He is looking for an employer who would stand by him, and would be willing to pay wages in cash. Nevertheless, George tries to keep a daily work routine and is attending day centres for the homeless in Parish Caritas Beroun where, within the framework of an activation programme, he sweeps the streets.*

--Caritas Beroun

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<sup>19</sup> See footnote 11.

<sup>20</sup> Caritas Czech Republic, 2015. Annual Report 2014.

<sup>21</sup> See footnote 11.

for this negative trend. In this context, it must also be highlighted that the Czech Republic is currently not connected to any international information system that collects data on homelessness.<sup>22</sup>

## The challenges in achieving active inclusion in the Czech Republic

- ❖ Adequate income support
- ❖ Inclusive labour markets
- ❖ Access to quality services

### Adequate income support

In the Czech Republic, minimum income schemes are accessible but with limitations. Furthermore, they can be considered inadequate in covering basic living needs.

In the internal survey carried out for this report by Caritas Czech Republic, 77% of social workers said that the adequate income support is easily accessible; however, long waiting times of up to three months were highlighted as a major challenge in accessing these schemes. Concerning the adequacy of income support to cover basic needs, 53% of respondents were of the opinion that the minimum income schemes in the Czech Republic were insufficient.<sup>23</sup> The main reason for such an evaluation

*A single mother (36) with two children (preschool and school aged) does not receive any alimony. They live in rented housing while she is looking for work. She has a high school education and would like to work in administration but is also interested in blue-collar jobs, such as becoming a shop assistant, waitress, or kitchen help. Currently, she receives social benefits and material poverty benefits – an important supplement to pay for housing. In the past, she used to have a summer job which allowed her to generate some extra income for the following quarter; however, she always had trouble making ends meet. In order to demonstrate the effects of tying income support to the unemployment situation of a person by using this particular example, social workers of a Caritas civil counselling centre counted the expenses this mother has in order to cover her and her children's basic needs. The calculation resulted in the conclusion that she would need to receive a wage of CZK 14 000 (not including costs of travelling, babysitting etc.) on a long-term basis in order to reach the same level as welfare. Given the prerequisites of clients and jobs in the region, such a level of wage is nearly impossible to obtain. Moreover, should she ever lose a job she had taken on, she would have to wait until the following quarter before receiving any social benefits again. It is therefore not surprising that people in a similar situation are working illegally, or are forced to have two jobs to make a living.*

*--Story from a social worker of a Caritas civil counselling centre in response to a survey*

<sup>22</sup> Prudký in MLSA, 2015. [Consensus Conference on Homelessness in the Czech Republic 2014.](#)

<sup>23</sup> N.B.: Answers include options "insufficient" and "very insufficient", the other options were sufficient, quite sufficient and very sufficient.

was that the amount of such benefits is too low to cover the costs of a decent life. Moreover, the fact that those social benefits that are considered income support, are tied to the “unemployed” situation of a person which further de-motivates them from seeking employment which is also often underpaid, while expenses tend to rise when working (e.g. on transport, meals etc.).

## Inclusive labour markets

The survey conducted for this report<sup>24</sup> asked Caritas social workers whether they believed that the labour market in the Czech Republic was becoming more inclusive; 48% of respondents disagreed with this statement, and 8.82% totally disagreed.<sup>25</sup> As a main obstacle to more inclusive labour markets, the respondents highlighted the failure to promote quality jobs – an essential part of this active inclusion pillar. Precarious working conditions are a major problem as workers’ rights are rampantly violated.

*“The problem I see is in the attitude of employers, i.e. employers prefer contracts for temporary services instead of regular employment contracts. They frequently offer no benefits or care for employees.”*

*--Response of a Caritas social worker to a survey conducted for this report*

Additionally, according to a recent Eurostat report, the Czech Republic has the fourth lowest minimum wage in the EU. As regards the proportion of median earnings, the minimum wage represents 40% of the median income in the Czech Republic – this represents the lowest value in the EU.<sup>26</sup> Currently, 120,000 workers (6% of all employees) receive the minimum wage<sup>27</sup>, which is currently CZK 9,200.<sup>28</sup> Another 100,000 workers earn slightly more than the minimum wage. According to the Act on Assistance in Material Need of 2006,<sup>29</sup> the State has to link the minimum wage to price increases of consumer goods (i.e. indexation). However, this has not happened in reality and the in-work at-risk-of-poverty rate in the Czech Republic has increased: from 3.6% in 2008 to 4% in 2013.<sup>30</sup> Moreover, the minimum wage is often less than social benefits, which leads to demotivation in those who are looking for work. In the internal survey carried out for this report by Caritas Czech Republic, comments assessing the adequacy of income and inclusive labour market support stressed that

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<sup>24</sup> See footnote 3.

<sup>25</sup> N.B.: Other options were “totally agree” and “agree”.

<sup>26</sup> Eurostat, 2015. [National Minimum Wages in the EU. Monthly minimum wages in euro varied by 1 to 10 across the EU in January 2015. Variation reduced to 1 to 4 when expressed in PPS.](#)

<sup>27</sup> European Commission, 2014. [European Minimum Income. Network country report: Czech Republic. Analysis and Road Map for Adequate and Accessible Minimum Income Schemes.](#)

<sup>28</sup> See footnote 26.

<sup>29</sup> [Předpis č. 111/2006 Sb. Zákon o pomoci v hmotné nouzi.](#)

<sup>30</sup> Eurostat, 2015. [In-Work at-Risk-of-Poverty Rate.](#)

there is very little difference between such benefit schemes and commonly paid wages (that are often almost equal to the minimum wage). The minimum wage is insufficient to cover basic needs, which may result in people who are used to living off benefits being discouraged from working.

The Czech labour market discriminates particularly against people who wish to work part-time, people released from prison, ethnic minorities, persons over 50 years of age, the long-term unemployed, single parents, especially single mothers, and recent graduates. Caritas workers questioned for this report explained that "the biggest problem is high unemployment, which gives employers great power to choose the most suitable employees, and they tend not to select those already socially excluded. Discrimination in the selection process is a common practice." Moreover, the trend of outsourcing production to foreign labour markets with lower wages while importing cheaper products from abroad is aggravating discriminatory practices in the labour market. Furthermore, the reduction in EU subsidies for the agricultural sector has led to lower incomes for farmers and job losses in this sector.

## Access to quality services

According to the survey carried out for this report, quality services have become slightly more accessible in recent years.<sup>31</sup>

Public health insurance is available to most but not all foreigners with a temporary residence, which complicates their access to health services because contractual health insurance contains a number of exclusions and may lead to indebtedness.

### Access to rights is limited for people at risk of poverty and social exclusion in Czech Republic

- ❖ Right to work
- ❖ Right to housing
- ❖ Right to a pension
- ❖ Right to equality and non-discrimination
- ❖ Right to access to justice

The main problems related to the right to work are that work is often offered at inadequate wages; it is offered without any contract and/or at precarious conditions

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<sup>31</sup> N.B. 58% of social workers said quality services have become slightly more accessible, 23% said they have really become accessible.

(without breaks, or overtime, and using unethical treatment), and that the promised wage is often not paid.<sup>32</sup>

Regarding the right to housing,<sup>33</sup> it must be highlighted that the Czech rule of law includes this right only in general terms – it does not set any specific responsibilities, methods and forms of its implementation. Unavailability of decent housing is often solved through alternative forms of substandard housing, such as commercial dormitories. According to the experiences of Caritas Czech Republic, discriminatory behaviour against tenants, such as single mothers with children, large families, immigrants, and ethnic minorities is a common practice – even in the very limited social housing sector (e.g. municipalities favour candidates who repay their debts although they rank lower on the waiting list) – while housing evictions without trial are increasing.

Regarding the right to a pension: all employed people are required to pay a contribution to the social security fund, but are entitled to payment of a pension only after working for 35 years. This principle is unfair, because a person who worked less than 35 years also contributed but does not receive an equivalent amount of pension. This concerns a growing group of people entering retirement and needs to be addressed urgently.

With regards to the right to access justice, it should be highlighted that pro bono lawyers who are appointed by the Bar Association to defend the rights of the client do not always try to do their job to the fullest, which is why legal disputes often affect the amount of assets of a party in a dispute. In this context, Caritas Czech Republic is concerned about the inadequate amount charged by executors (i.e. persons impounding assets and property).

## 2. How effective are the Czech Republic's policies to fight poverty and social exclusion?

The Country Report for the Czech Republic,<sup>34</sup> published by the European Commission in February 2015, does not reflect the main problems and reality of poverty and social exclusion in the country. The document fails to highlight the problem of over-indebtedness which is leading many people into a poverty trap. Furthermore, the problem of increasingly limited access to housing is not mentioned at all. As regards in-work poverty, the report merely talks about labour taxation but fails to address the problem of inadequate wages. Additionally, the ways unemployment trends are presented do not reflect the reality of problems faced by those experiencing long-term unemployment.

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<sup>32</sup>Diakonie Czech Republic, 2015. [PREKÉRNÍ PRÁCE, JINÉ FORMY VYKOŘIŠŤOVÁNÍ A NUCENÁ PRÁCE](#).

<sup>33</sup>Council of Europe, 1996. [European Social Charter \(revised\). Part II, Article 31](#).

<sup>34</sup>European Commission, 2015. [Country Report Czech Republic 2015](#).

At the same time, the National Reform Programme (NRP)<sup>35</sup> published by the Government of the Czech Republic also in 2015, only partly reflects these problems. For instance, over-indebtedness of private households and low wages are not even mentioned. Furthermore, the document does not foresee any measures to tackle long-term unemployment.

In general, it can be said that the current policies implemented in the Czech Republic address only some of the problems related to poverty and social exclusion. For instance, none of the policies is sufficiently responsive to the need to further revise the **Insolvency Act**, the court executors and execution activities, and **the Act on Assistance in Material Need**. The most recent **Amendment of the Act on Assistance in Material Need** introduced unequal conditions for approving benefits for housing, as each municipality can now have its own conditions. The increase in homelessness, which has been especially observed in some locations, can be considered a direct negative consequence of the amendment of the Act. In this context, it must also be highlighted that the measures referred to under the “Concept of Social Housing in the Czech Republic 2015–2025”<sup>36</sup> are missing a clear definition of the role of municipalities, which is aggravated by the fact that the Municipalities Act defines the right to housing only very loosely.<sup>37</sup> Moreover, while the Czech NRP 2015 advertised the new Concept of Social Housing, it needs to be flagged that this policy measure is already lagging behind its implementation schedule, which is endangering the achievement of its expected results. In light of these developments, Caritas Czech Republic actively participated in the First National Consensus Conference on Homelessness<sup>38</sup> which highlighted the need to address the issue of private over-indebtedness.

The National Plan for the Creation of Equal Opportunities for Persons with Disabilities 2010–2014<sup>39</sup> does not include the numerous students with special needs. The document equally does not address the right of the unborn child to health. In this regard, frequent and unnecessary assessments of recipients of disability pensions must be highlighted as a discriminatory practice causing a cumbersome administrative burden to many recipients. Meanwhile, the planned reform of the **Act on Social Workers** is expected to have a negative impact on the burden of professionals working in this sector, should the planned reform go through. Measures foreseen in the **Act on Children Groups** can be considered a positive move in the right direction; nevertheless, the actual impact of the Act is still to be observed.

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<sup>35</sup> Government of the Czech Republic, 2015. [National Reform Programme Czech Republic 2015](#).

<sup>36</sup> Yet to be approved by the Czech Government.

<sup>37</sup> It says that the municipality has to take care of creating the conditions for the development of social care and the needs of its citizens in accordance with local conditions and practices. See [Předpis č. 128/2000 Sb. Zákon o obcích \(obecní zřízení\)](#).

<sup>38</sup> See conference website: <http://www.bezdomovectvi.info/cs/>.

<sup>39</sup> See <http://icv.vlada.cz/assets/vydavatelstvi/vydane-publikace/National-plan-for-the-creation-of-equal-opportunities-for-persons-with-disabilities-2010-2014.pdf>.

## What policies are needed to address poverty and social exclusion more effectively?

In the Czech Republic, there is a need to change the terms of debt relief in order to make the system more accessible to persons at risk of poverty and social exclusion. In order to do this, the revision of laws related to over-indebtedness is of utmost importance; these include the Insolvency Act and the Act on Bailiffs and Executory Activities.

The Act on Social Housing needs to enter into force without delay as planned (1/1/2017) and begin to systematically deal with the situation in the housing sector in the Czech Republic. This also implies that the observed trend towards commercial dormitories must be reversed. In this context, regional governments play an essential role, as they have recently been given the responsibility to distribute housing allowances – a process that has been disrupted due to the lack of a unified methodology to distribute these allowances. Therefore, national guidance on how regions should improve access to housing is needed.

In this context, the EU could support the Government of the Czech Republic to address the problems of poverty and social exclusion more effectively by providing financial support and political support to solve the problem of access to housing, as well as to give clear recommendations on how to solve the problem of over-indebtedness of individuals (and not only State budgets).

## The impact of social protection system reforms

### Social protection system reforms & modernisation in the Czech Republic

- ❖ The reforms have focussed on budget cuts and some steps have been taken to partially reform some aspects of the social protection system
- ❖ The people most at risk of poverty or social exclusion have more difficulties in accessing social protection services and benefits

Recent reforms of the social protection system have had a negative impact on poverty and social exclusion in Czech Republic.

#### ***Example of an ineffective policy or programme related to the active inclusion pillar of access to services***

The **amendment to the Act on Assistance in Material Need**, which implied transferring decisions about approving benefits for housing to municipalities. The result of such a spontaneous amendment was unequal criteria around the Czech Republic for people in need. This has led to an increase of homeless people, especially in some locations.

## The use of EU funds in the Czech Republic

- ❖ The Czech Republic has an ESF Operational Programme that focuses on promoting employment and social inclusion in the programming period until 2020.
- ❖ Caritas Czech Republic will be involved in the implementation of this programme.

Caritas Czech Republic (via the Bishop's Conference and European Anti-Poverty Network (EAPN) Czech Republic) has been involved in the planning process of the European Structural and Investment Funds 2014-2020 in the Czech Republic. However, none of their proposals was taken into account in the programming documents. Nevertheless, Caritas Czech Republic is expected to be involved in the direct implementation of European Structural and Investment Funds 2014-2020. Furthermore, the organisation is represented in the Monitoring Committee (MC) of the Operational Programme Employment (OPE) in the Czech Republic. The planned measures of the OPE include the de-institutionalisation of residential services; the development of a new model of services that promote social inclusion; implementing complex programmes and creating conditions (beyond individual areas) that promote the social inclusion of persons; activities to develop and improve the performance of activities in social work; enhancing the competence of social workers, especially through education of social workers, etc. Caritas Czech Republic believes that these planned measures are adequate to reduce poverty and social exclusion.

Moreover, Caritas Czech Republic is active in the working group of the Fund for European Aid to the most Deprived (FEAD) Programme in the country and has had the opportunity to comment on the documents that were prepared, such as the "Factual evaluation of the project's quality."

### 3. The response of Caritas: initiatives that have been effective when addressing poverty and social exclusion

Caritas Czech Republic has participated in the following initiatives which have had a positive impact on the reduction of poverty in the Czech Republic:

#### **JOBS AND HOUSING FOR THE HOMELESS**

[https://www.cee.siemens.com/web/cz/cz/corporate/portal/home/novinky/Pages/restart\\_prvni.aspx](https://www.cee.siemens.com/web/cz/cz/corporate/portal/home/novinky/Pages/restart_prvni.aspx)

#### **Project "Restart@Siemens"**

##### **Description**

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The project is evidence of co-operation between three major providers of preventive social services – Caritas Czech Republic, The Salvation Army and *Naděje* (Hope)- and

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Siemens, that have offices throughout the entire country and for whom the homeless are the target group. The social service providers suggest job applicants from their sheltered housing services, supervise them throughout the application process, and support them through a counselling service (for one year after they get a job). Furthermore, for Siemens' employees they provide training on how to cooperate with their new colleagues who have experienced social exclusion. In addition, Siemens provides a training programme and also housing. If trainees complete their trial period successfully, they are offered a job contract. The project is being promoted by the Ministry of Labour and Social Affairs.

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### **Problem addressed**

This project addresses a challenge related to the "inclusive labour markets" pillar of active inclusion with regards to the labour market inclusion of homeless persons.

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### **Results**

The project started in 2015. At the time of publishing this report, 3 individuals have already received an employment contract. 24 more individuals are planned to receive training and start a trial period with Siemens this year and next year.

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### **Innovative features & success factors**

The combination of access to employment and access to housing. The cooperation between NGOs and a private company could serve as a pioneer project for future cooperation.

## **SPECIALISED TRAINING FOR SOCIAL WORKERS**

<http://www.caritas-vos.cz:8086/index.php?page=projekt-op-lzz>

### **Project "Making social services effective through education"**

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#### **Description**

The aim of this project, in which Caritas participated as a project partner, was to systematically deepen the professional and management competency of social workers so that they could broaden the impact of the services they are providing and thus improve the quality of social services. The project was run by the Education Centre of the College of Social Work Olomouc.

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#### **Problem addressed**

This project addressed a challenge related to the "access to services" pillar of active inclusion with regards to raising awareness of results-based management among service providers (i.e. social workers).

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#### **Results**

150 public courses were held (on average each of them had approximately 15 workers in attendance), there were 3-step consultations done in 30 services across the Czech Republic. 100 workers accepted the possibility of doing an internship in a specific area.

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#### **Innovative features & success factors**

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## 4. Recommendations to address the described problems

### **Recommendation 1: Revise the Insolvency Law and the Law on Court Executors and Execution so that Czech legislation provides adequate conditions to reduce the high levels of private over-indebtedness by:**

- a) Reducing the current limit for debt relief (30% of the debt) which now favours persons with assets or stable employment.
- b) Making personal lending and borrowing less attractive and imposing stricter rules on controlling private debt levels (e.g. through creditor obligations).
- c) Introducing more transparent debt control mechanisms for families (e.g. mandatory written consent by the applicant's partner (spouse) on a loan application, to inform both wife and husband (or spouses) about the problems of delinquency (for example, insolvency).
- d) Introducing clearer rules (i.e. legislation) that regulate the competence of public and private collection companies (incl. bailiffs) and that define basic household items (i.e. objects that may or may not be seized in cases where a debt recovery execution is taken out).
- e) Applying stricter consumer protection rules on loan advertisements.
- f) Increasing financial literacy education in schools, adult training and through public media.
- g) Preventing or limiting the possibility of debt recovery execution being imposed on pensions and social benefits and low wages.

➤ **Problem addressed if implemented:** Over-indebtedness of private individuals and families.

➤ **Governmental department that could lead this measure:** The Ministry of Justice in cooperation with the Ministry of Labour and Social Affairs, the Ministry of Finance, and the Ministry of Internal Affairs.

➤ **Policy framework:** The EU Directive on credit agreements for consumers,<sup>40</sup> the EC European Consumer Agenda,<sup>41</sup> The Czech Insolvency Act and the Consumer Act on Consumer Protection.

➤ **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Report, Country Specific

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<sup>40</sup>See: [Directive 2008/48/EC](#).

<sup>41</sup>See: [COM\(2012\) 225 final](#).

Recommendations) that address the problems of private over-indebtedness, as presented in this report.

**Recommendation 2: Guarantee the implementation of the Act on Social (affordable) Housing within the foreseen time schedule, which should ensure adequate legislative regulation of the rights and obligations of all stakeholders, and allocate sufficient resources in a timely manner as well as through the timeous allocation of resources.**

- **Problem addressed if implemented:** Limited access to affordable housing, increasing homelessness, and the increasing number of people at risk of social exclusion.
- **Governmental department that could lead this measure:** The State Ministry for Regional Development, the Ministry of Labour and Social Affairs, regional governments, and municipalities.
- **Policy framework:** The Concept of Social Housing in the Czech Republic 2015–2025, the European Social Charter (Article 31),<sup>42</sup> and the EC Recommendation on the active inclusion of people excluded from the labour market (the “access to quality services” pillar).
- **How the European Commission could support this measure:** By appealing for compliance with the planned measures that promote social housing, as reported in the Czech National Reform Programme 2015 (the Concept of Social Housing should have been approved by the Government by April 2015, but it has not. The scheduled entering into force of The Act on Social Housing is 1<sup>st</sup> January 2017 – it should be based on the Concept).

**Recommendation 3: Increase the level of the minimum wage to CZK 12,000 and impose stricter controls on employers’ compliance with labour legislation (e.g. safety standards, over-time compensation, undeclared work).**

- **Problem addressed if implemented:** The low minimum wage, precarious work conditions, inadequate remuneration for work, in-work poverty, disincentives to work, long-term unemployment, usage of state benefits, conformity in social exclusion, because it does not pay to solve the situation.
- **Governmental department that could lead this measure:** The Ministry of Labour and Social Affairs, the State Labour Inspection Office, the Ministry of Labour and Vocational Training.

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<sup>42</sup> See footnote 33.

- **Policy framework:** The EC Recommendation on the active inclusion of people excluded from the labour market (the “inclusive labour markets” pillar), the Czech Labour Inspection Act (03/2005), the Labour Code adopted by Act No. 262/2006 Coll., the ILO Labour Inspection Convention No. 81, the ILO Labour Inspection Convention No. 129 (both ratified by the Czech Republic in 2011<sup>43</sup>).
- **How the European Commission could support this measure:** By appealing for an increase in the minimum wage and by imposing stricter controls on labour inspection in the Czech Republic.

**Recommendation 4: Introduce means-tested measuring of alimony payments,<sup>44</sup> establish an adequate level for required resources that allow all children<sup>45</sup> to realise all rights of the child and establish financial mechanisms (i.e. including financial support by the State in case one parent does not pay) that allow all parents or legal guardians to meet their obligations.**

- **Problem addressed if implemented:** Child poverty, inadequate levels and mechanisms of income support, over-indebtedness of single-parents (due to unpaid alimony), and increasing inequality.
- **Governmental department that could lead this measure:** The Ministry of Labour and Social Affairs, and the Ministry of Justice.
- **Policy framework:** The Council of Europe Recommendation No. R (82) 2 on the payment by the State of advances on child maintenance, the EC Recommendation on the active inclusion of people excluded from the labour market (the “adequate income support” pillar), the EC Recommendation on Investing in children: breaking the cycle of disadvantage, Civil Code, Criminal Code, proposed (2015) Act on “backup maintenance payments on children”.
- **How the European Commission could support this measure:** By urging the Czech Government to implement the Council of Europe Recommendation no. R (82) 2, which was adopted by the Committee of Ministers of the Council of Europe in February 1982 and urges States to guarantee the benefits of maintenance for dependent children if the liable entity does not fulfil this obligation, and encourages States to set up a system of advance maintenance payments for children.<sup>46</sup>

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<sup>43</sup> ILO, 2015. [Czech Republic. Labour Inspection Structure and Organisation.](#)

i.e. by basing its calculation on the income of both parents and requesting an adequate alimony level.

<sup>45</sup> Taking into account the specific needs of the child.

<sup>46</sup> Note that currently 16 EU countries guarantee children maintenance, the Czech Republic is not one of them.



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