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# When workfare fails: post-crisis activation reform in the Czech Republic

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## Abstract

**Purpose** – The purpose of this paper is to analyse Czech's activation reforms enacted since 2006 which culminated in 2010-2012 as radical workfare-like reforms. It also aims to explain which factors have influenced their development.

**Design/methodology/approach** – The paper is the case study of activation reforms in one country interpreted within the theoretical framework of the “activation models” and discussion of the factors influencing activation reforms. The design and implementation of the reforms of activation policies are in focus. Institutional analysis is combined with secondary statistical data and survey data.

**Findings** – The author distinguish three phases of the activation reforms: the initial phase of activation (work first), the radical phase (workfare) and the failure of radical workfare as the final phase. The key argument is that the main factors leading to the radical workfare version of activation were the political factors combined with institutional factors, particularly, the specific model of policy making (the so-called “compost model”). Ironically, this model which has enabled fast and radical workfare-like reforms was also the main reason why the reforms failed.

**Originality/value** – The paper is innovative since it explains the specific features of the activation reforms in the Czech Republic, distinguishing workfare from other models of activation, and identifying the factors which have played a role in shaping these features. The in-depth case study of one country provides the evidence on the role of the specific factors and helps the author to understand the motives, the design and the implementation of activation reforms in their mutual relationships. The specific role of the institutional legacy in the new circumstances is emphasized.

**Keywords** Social assistance, Activation models, Compost model of policy making, Workfare

**Paper type** Research paper

## Introduction

Numerous studies emphasize the increasing role of “activation strategy” within the new societal and economic context: the ageing of society and shrinking labour force, combined with global competition and the crisis, have enormously increased the economic pressures on the welfare state. Labour market marginalization, poverty, social exclusion and emergent social disintegration represent other challenges. In this context, activation measures are expected to bring more employment, in particular in the lower end of the labour market, higher government revenues, as well as less welfare dependency, thus increasing household incomes and social inclusion.

Nevertheless, activation measures are of a different nature. There has been no consensus achieved among scholars on defining “activation”; see Moreira (2008). More generally, it is understood as a “set of policies/measures/instruments aimed at reintegrating unemployed people (typically social assistance recipients) into the labour market” (Hanesh and Baltzer, Hvinden, in Moreira, 2008, p. 7). Sometimes, activation is understood as a dynamic linkage among social welfare, employment and labour market

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programmes (Barbier, 2004, p. 48). This dynamic link is mainly produced by balancing rights and duties, harmonizing social security benefits and taxation, and coordinating benefit schemes with a variety of labour market policy tools, with a link between social assistance (SA) and labour market policies being central (cf. Lødemel and Trickey, 2001; Saraceno, 2002; van Berkel and Møller, 2002; Serrano Pascual, 2004; OECD, 2007).

The literature has traditionally identified two stylized “model approaches” to activation which are understood as “ideal types” while in reality, activation strategies usually include elements of both approaches, signalling “contingent convergence” when demanding and enabling measures that are mixed (Eichhorst *et al.*, 2008a). Although these two ideal types were differently labelled (Lødemel and Trickey, 2001; Barbier, 2004; Bonvin and Farvaque, 2007), they may be understood as work first strategy, which emphasizes the duty of accepting any job or work programme, irrespective of its quality or suitability vs the human development approach, which emphasizes finding and retaining a suitable, meaningful job, underpinned with skills and capabilities. Bonoli (2010, 2013) departed from the above dichotomous distinction and suggested a typology including four ideal types of active labour market policy: incentive reinforcement (positive and negative incentives to work), employment assistance (facilitating (re-)entry into the labour market), occupation (keeping the jobless occupied in various schemes) and human capital investment (upskilling).

Some authors distinguished the so-called workfare version of activation (Lødemel and Trickey, 2001; Handler, 2004; Lødemel and Moreira, 2014). The normative debate on the activation paradigm has concentrated exactly on this workfare version of activation since workfare challenges the principles of social rights/social citizenship (compare Betzelt and Bothfeld, 2011; Eichhorst *et al.*, 2008b; Evers and Guillemard, 2012; Handler, 2004; Moreira, 2008 and others): not only workfare increases (re-)commodification of labour, by making it more dependent on the market; workfare mainly pays an unfair “living wage” in the form of benefits when rewarding work activities that make a contribution to society. Two further issues emerge: the first concerns the opportunities available to individuals for making “a contribution to society”. The second concerns the activities that can be considered to make a contribution to society (Moreira, 2008).

One may assume that workfare is different from the work first approach or incentive reinforcement, although it is quite compatible with them and sometimes not well distinguished from them; also Bonoli (2013, p. 20) associated workfare with a (re)commodification strategy rather than with active social policy. Workfare is understood as “programmes or schemes that require people to work in return for social assistance benefits” (Lødemel and Trickey, 2001, p. 6), underlined by the author. Neither the work first approach nor incentive reinforcement extend so far.

In this paper we are dealing with the Czech activation reforms enacted since 2006. These reforms are interesting because, although they were initiated relatively late (when compared to other countries), a series of other “radical” activation measures followed quickly within a short time span. There are two interrelated questions dealt with in this paper: first, to what extent the Czech activation strategy has been inclining towards workfare; second, which factors have influenced developments of activation policies in a specific direction[1]. Theoretical debates on the factors influencing activation policies have suggested the following: the problem (benefit dependency), political factors (political parties and others), institutional factors, path dependency and a profile of the target group (Lødemel and Trickey, 2001). Similar factors were discussed by Bonoli (2010, 2013), who distinguished political explanations (power

resources and partisan politics), public opinion and societal values based on explanations, institutional explanations (including the timing hypothesis, which suggests that the influence of the institutional factors may change over time with the changing contextual factors) and the diffusion of ideas (and learning). The above factors will inspire the empirical analysis.

The paper is structured as follows: in the next section, we characterize the pre-reform SA scheme as it was established and functioned in the Czech Republic before the later substantive reforms were initiated (before 2006). In the third section, we analyse the development of the activation strategy in the Czech Republic. We distinguish three phases of the developments: the initial phase of activation: work first approach, the radical phase (workfare) and the failure of radical workfare as the final phase. In the fourth section, we discuss the factors that have influenced the direction of the reforms in SA. In the last concluding section, we summarize and discuss the findings.

### **Emergence of SA in the Czech Republic**

After the “Velvet Revolution” in 1989 the Czech welfare state was continuously transformed in order to better fit the challenges of the market economy. In particular, new instruments like active labour market policies, unemployment protection and SA had to be established. The Living Minimum Act and the closely related Act on Social Need introduced a new SA scheme in November 1991 that was mainly concerned with the protective objectives during the first market transition period fitting well into the political strategy of “protest avoidance” (for this label see Vanhuyse, 2006a, b) as a basic social safety net that provided a guarantee of minimum income.

The SA scheme designed at the beginning of the 1990s was relatively generous as its SA scheme provided an approximate 55 per cent replacement of the net average wage for a single person, 99 per cent for a couple and 181 per cent for a family of four. No financial incentives such as disregards on earnings or back-to-work bonuses were provided to SA recipients.

The administration of the SA scheme was not favourable for activation either. The first obstacle (until 2012 when SA was merged with Public Employment Services (PES)) was an institutional split between the SA administration by municipalities and the employment services administration. Municipalities required only formal proof from SA benefits recipients that they were registered as jobseekers at the employment office. They neither intervened in their job search nor cooperated in activating SA recipients with employment offices since legislation did not oblige them to do so.

Another important obstacle to activation was the serious implementation deficit: social departments did not have enough personnel to provide social work to their clients or activation measures. There were about 300 clients for every front-line staff member at the social departments, while a reasonable estimate was that there should have been at most about 150 clients for one staff member. Additionally, the demanding administration procedures associated with making decisions about benefit claims hindered individual social work (see Ministry of Labour and Social Affairs (MLSA), 2005).

### **The activation reform**

*The initial reform steps (2006): incentive reinforcement/work first*

The reform of SA in 2006 aimed to provide adequate minimum guarantees, while increasing incentives in order to “activate” welfare recipients (cf. MLSA, 2005; Vládní návrh, 2005). The most important of these changes was the restricted access to SA

benefits for youth: according to the new legislation, adult children and parents sharing accommodation were considered a household when testing the means of subsistence for the purpose of the main benefit – the allowance for living. In practice, this measure excluded most unemployed youth from benefit entitlements. Data confirm a significant decrease in the number of SA recipients: between 2006 and 2007, this was by about 58 per cent (from 169,000 to 72,000) (Jahoda *et al.*, 2009).

At the same time, positive work incentives in the form of disregards on earnings were implemented: after 2007, only 70 per cent of income from work and 80 per cent of income from sickness and unemployment benefits were taken into account when testing for the means of subsistence.

Furthermore, case-work with benefit recipients had to support their activation: the elaboration of an “activation plan” was required for those who were recipients of welfare benefits for more than six months (and a “plan of individual motivation” for those whose situation required immediate assistance). The reform of SA also aimed to differentiate SA recipients between deserving (and provide them full rights to the SA scheme, that is, the living minimum) and undeserving/inactive (provided at most with only restricted SA scheme rights; this was the existence minimum but dependent on the discretionary decision by front-line staff).

The reforms in the SA scheme were accompanied with reforms in unemployment protection and employment policies, mainly focused on youth and the long-term unemployed. The new Employment Act of 2004 entailed several measures of increased conditionality and administrative pressures, restricted access to or cuts in unemployment benefits and, finally, creating work-pay measures aimed at improving work incentives. Furthermore, a wider definition was implemented of the term “suitable job”: this included temporary jobs, that is, those that last for longer than three months and amount to 80 per cent of full-time. In the case of long-term unemployed persons, the job may last for even a shorter period of time provided that it corresponds to no less than 50 per cent of full-time. It was not strictly necessary to take into account qualification, abilities, accommodation and accessibility by transport (only health status had to be considered). Refusal to participate in a temporary job (including subsidized jobs such as public work programs) or non-compliance with the individual action plan commitments might result in sanctioning the unemployed (loss of benefit entitlements for a period of six months instead of three, as it had been before).

Lastly, the Employment Act of 2004 established a duty for employment offices to offer individual plans to those unemployed who are younger than 25. Participation was voluntary and, as documented in some studies (Sirovátka *et al.*, 2007; Horák and Horáková, 2009), it was beyond the personnel capacities of employment offices. The target of 25,000 individual action plans for 2006 promised in the National Reform Programme of 2005-2008 was not met: there were only 7,000 signed in 2006 (data of the Ministry of Labour and Social Affairs (MLSA), 2007).

#### *Radical activation: Workfare I (2007-2008)*

In the June 2006 elections, the Social Democrat-led government lost its majority in parliament and, after difficult negotiations, the centre-right coalition government of Civic Democrats, Christian Democrats and Greens emerged with a slight majority in parliament.

Within the comprehensive package of the “social reform” acts of August 2007 legitimized by an “affordable credit” objective, the new parliament accepted one important change in the SA scheme: the automatic revaluation of subsistence and existence minimums was cancelled; it has been at the sole discretion of the government since 2007.

Since 2008, the period covered by unemployment benefits was shortened from six to five months (and from 9/12 to 8/11 months in the case of the unemployed over 50/55 years of age, respectively), while the level of benefits was increased in the first two months from a 50 per cent replacement rate to 65 per cent, left at 50 per cent for the next two months, and 45 per cent for the remaining month(s). At the same time, the period spent on studies was no longer recognized as a substitute for a work record for the purpose of unemployment insurance entitlements. Next, the activation plan, which had been under the jurisdiction of the social departments of the municipalities since 2006, was cancelled. Instead, employment offices were obliged to implement activation plans with all unemployed after five months of their unemployment.

The key measure concerned entitlements for SA benefits: these were cut again in September 2008, in effect as of January 2009. After six months, SA benefit recipients were automatically entitled only to an existence minimum instead of a living minimum. Only in cases in which they participated in public works for a total of 20-30 hours per month were they entitled to a living minimum plus a supplement in the amount of 30 per cent of the difference between an existence and a living minimum. If they worked more than 30 hours, they received a bonus to the existence minimum in the amount of half the difference between the living minimum and the existence minimum. In August 2009, about 24,000 of the 123,000 claimants for the living allowance were evaluated to be entitled to the lower benefit corresponding to the mere existence minimum. The new institute of public service (a workfare condition for the entitlement of being provided a living minimum) was criticized by the Ombudsman because only few municipalities offered sufficient opportunities to SA recipients to participate in the programmes for public service jobs (CT24, 2009): in 2009, only 10 per cent of the municipalities organized these activities (Ministry of Labour and Social Affairs (MLSA), 2010).

These circumstances were harmful to the principle of reciprocity, which constitutes an inherent argument for workfare: SA recipients were given unfair obligations which could not be met.

#### *Workfare II: attack on social insurance rights*

In 2009, the government was disbanded and new elections were held in June 2010, whereby the centre-right coalition was reaffirmed. They continued strong activation reforms as well as strict reforms aiming to stabilize the public budget. This effort intensified due to the crisis and the deficit of the public budget, which increased from 0.5 per cent to 4.9 per cent in 2009 and 4 per cent in 2010. At the same time, the numbers of unemployed nearly doubled to about 560,000 in 2010 when compared to 2008 (i.e. about 9 per cent was the registered unemployment rate in 2010) (Ministry of Labour and Social Affairs (MLSA), 2011). The number of SA recipient households nearly doubled as well: from 65,000 households in 2008 to 73 in 2009, 91 in 2010, 103 in 2011 and 116 in 2012 (average annual figures) (Ministry of Labour and Social Affairs (MLSA), 2013a).

The new activation measures adopted in 2011 represented a continuation of the radical activation reforms with great emphasis on the workfare principle along with further deterioration in rights to protection. First, positive incentives in the form of bonuses to the living minimum or the existence minimum in the case of participation in public service were cancelled. Instead, all unemployed (regardless of whether they were SA recipients or unemployment benefit recipients) were obliged after two months of unemployment to participate in public service for up to 20 hours per week (which in fact corresponds to a part-time job). Refusal could result in exclusion from all entitlements to unemployment or SA benefits. The Ministry of Labour and Social

Affairs planned to increase participation in public services from 15,000 to 50,000 (mainly long-term) unemployed people in 2012 (Ministry of Labour and Social Affairs (MLSA), 2012a). This target was achieved: by the end of November 2012, 47,000 (mostly long-term) unemployed participated in the measure (Ministry of Labour and Social Affairs (MLSA), 2012b). Although in practice the measure was applied mainly to the long-term unemployed, discretion was given to employment offices to punish even those short-term unemployed who were entitled to unemployment benefits based on social insurance rights. This penetration of the workfare principle into the social insurance scheme is a unique feature of the Czech version of workfare reform.

Another form of pressure on the unemployed meant that dealing with working in the shadow economy was a new duty, implemented at the end of 2011; in 2012, it required them to appear twice a week at a given time at “Czech points” established at post offices[2].

The last measure was again the increased control over the use of SA benefits by introducing more in-kind benefits: while in 2009 an electronic payment tool was implemented in cases where recipients were suspected of misusing benefits for inappropriate purposes, from 2012, social cards have been implemented, aimed mainly at this category of SA benefit recipients.

Further measures were adopted in an Employment Act amendment which aimed to increase pressure on the unemployed: people who terminated their labour contract without “serious reasons” received only a 45 per cent replacement rate after the first month, and people who receive severance pay do not get benefits during the period covered by severance pay. On the other hand, positive incentive for the unemployed in the form of “non-colliding employment” (this means that earnings up to half of minimum wage were tolerated in part-time temporary jobs to the unemployed as a supplement to entitlements for unemployment benefits) was cancelled.

The last important element of the activation reform was the governance reform of 2010-2011, which did not aim so much to improve the governance of ALMPs, but rather to have a cost-containment objective. The emerging trend in 2010-2011 was re-centralization; this involved the stronger subordination of local employment offices to the central of PES shifting more competences from the local (77 local employment offices) to the centre and regional level (14 regional offices). At the same time during 2011, the number of PES employees dropped from 8,136 to 6,237, when three waves of staff reduction took place and some of the staff quit voluntarily (Ministry of Labour and Social Affairs (MLSA), 2014).

In 2011, another decision followed to merge the SA administration with the employment offices by shifting the administration of SA to the Public Employment Office in January 2012. Only 1,953 of the original 3,642 staff working on this agenda at municipal social departments were employed at employment offices. The reduction of staff in 2012 was more than 60 per cent compared to 2011 when it was in the competence of municipalities. Understaffing of the SA administration was heavily criticized by the Ombudsman (Veřejný, 2012).

The institution of shared mediation (i.e. outsourcing of mediation and counselling to private agencies implemented into legislation in 2011) did not become reality because the financial rewards offered to the private agencies were set too low in legislation, thus failing to convince these agencies to take part.

Finally, data on the participation of the unemployed in ALMP measures confirm a divergence of the Czech activation strategy from the general trend in the EU, which was more inclined to expanding ALMP measures during the crisis. The scope of the ALMP

measures was modest before the crisis (2008); in 2008, participants in active employment policy measures accounted for 21.6 per cent; in 2009 it was 17.0 per cent; in 2010, 22.5 per cent; in 2011, 19.1 per cent; in 2012, a mere 9.6 per cent and in 2013, 14.9 per cent of the unemployment stock[3]. This development was due to cuts in ALMP expenditures as well as to the governance reforms of PES implemented during 2010-2011.

When assessing the activation strategy within this short period culminating during the crisis, the direction of the reforms may be understood as a significant shift towards explicit workfare: workfare requirements were extended to the short-term unemployed and positive incentives in workfare were cancelled.

#### *The failures of the activation reforms (2012-2013)*

The common features of the activation reform measures which led to several failures were their poor preparation, design and implementation. These aspects were neglected since the reforms simply aimed to cut public expenditure, which was the key political commitment of the government (Programové, 2010). Then preparations of the policy measures were explicitly dictated by this aim and often unprofessional. Furthermore, the procedures of their approval were non-transparent and non-standard. The negotiations of the new governance reform of the Employment Office in 2011, from its initial “merit proposal” up to its submission to parliament, took only three months, while the new Employment Act of 2004 took one whole year to negotiate (Kotrusová and Výborná, 2015). These circumstances were also the reason for the refusal of this act by the President (Stanovisko prezidenta republiky, 2011). In spite of this, the parliament, where a government coalition held the majority, quickly overruled the refusal of the President.

During 2012 and 2013, it became apparent that several measures implemented as activation reforms suffered serious weaknesses and were criticized, thus most of the reforms had to be abandoned. The most important was the decision by the Constitutional Court from November 2012 to discontinue the institution of public service as a compulsory activity for those who were unemployed for more than two months, enforced through a punitive sanction[4].

Second, after strong criticism from many stakeholders, including the Ombudsman’s Office, the so-called “social cards” were also cancelled in 2013. There were several reasons for this: apparent disadvantages as well as negative financial impact on the recipients (discomfort, fees paid for the administration of cards and other services) and considerable flows of public resources going to the private financial company established to administer the system of the social cards.

Furthermore, the screening of the unemployed implemented within the DONEZ project (i.e. controls at the “Czech points”) was abandoned as well. The Ombudsman criticized this measure strongly (as well as representatives of the political opposition), since the unemployed were not provided any employment services or support in job searching when appearing in person at the “Czech points”: the measure in fact infringed on their social rights (Veřejný, 2012). In January 2013, the Ministry of Labour and Social Affairs decided to diminish the numbers of the unemployed required to visit the Czech points and also to terminate the project by September 2013 (MLSA)[5].

Further, a positive turn may be seen in the decision to increase the personnel capacity of the employment offices and to strengthen the individual approach to the unemployed. In order to improve the capacity of PES, in 2013 the Ministry of Labour and Social Affairs increased personnel by 250 permanent employees and 150 temporary employees, both in employment policy and the non-contributory benefits agenda (Ministry of Labour and Social Affairs (MLSA), 2013c). With the new



temporary “caretaker government” established in July 2013, a more substantial decision was made: to accept 700 new employees who would be clearly pro-client oriented, that is, 319 positions in 2013 and the rest in 2014 (Ministry of Labour and Social Affairs (MLSA), 2013d). During 2013 the number of PES staff was increased from 8,382 to about 9,000, and in January 2014 it reached 9,407. In spite of these measures, the estimate (MLSA, 2014) of the understaffing was still about 20 per cent at the beginning of 2014, compared to the situation in 2011 preceding the reform.

The overview of the key reform steps is provided in Table I.

Date	Legislation	Contents of the reform (keywords)
<i>Work first/incentive reinforcement</i>		
2004 March	Act No. 435/2004 Coll. Employment Act	Wide definition of suitable job (temporary, part-time) Stricter sanctions in the case of non-cooperation (exclusion from registers and benefits for 6 months) Individual action plans to be offered to the youth
2006 March	Act No. 110/2006 Coll. on living and existence minimum Act no 111/2006 Coll. on assistance in material need	Existence minimum instead of living minimum (one-third less) for the “undeserving” Disregards earnings Dependent children up to 26 years living with parents considered as one household when assessing incomes
<i>Workfare I</i>		
2007 October	Act No. 261/2007 Coll. on stabilization of public budget	Unemployment benefit period cut by 1 month Period of studies no longer substitutes for work record period
2008 September	Act No. 382/2008 Coll. (change of Employment Act)	After 6 months, SA recipients get only existence minimum Public service participation required for living minimum (+ bonus provided for participation) Individual action plans obligatory after 5 months of unemployment
<i>Workfare II: attack on social insurance rights</i>		
2010	Act No. 347/2010 Coll. on austerity measures in competence of MLSA	Earnings in “non-colliding employment (compatible with UB benefits) not more possible
2011 February	Act No. 73/2011 Coll. on Employment Office	Governance reform: centralization + staff reduction
2011 November	Act No. 366/2011 Coll.	Bonuses in the case of participation in public service cancelled Public service participation required after 2 months of unemployment
2011 November	Act No. 367/2011 Coll.	UB cut to 45% replacement rate if job contract terminated without “serious reasons” Unemployment benefits not paid during the period covered by severance pay
<i>Failure of the reform</i>		
2012	Decision of the Constitutional Court	Public service as compulsory activity for the unemployed cancelled after 2 months
2013 November	– Act No. 437/2012 Coll. Act No 306/2013 Coll.	Social cards cancelled

**Table I.**  
Activation reforms  
2006-2013

The reform path of activation and ALMPs was from the work first approach based more on incentive reinforcement than on employment assistance towards workfare. What can be assessed as a specific feature of the Czech activation reforms is the emphasis on workfare in its simple radical form, which strongly suppressed the principles of social insurance rights. This development is different from the ALMPs trends in Europe as discussed by Bonoli (2010). How to explain this development path towards radical welfare (and its failure shortly after) will be discussed in the next section.

### The factors shaping the reform path and its failure

When discussing the factors (and actors) which influenced the activation reform, we considered those discussed in the Introduction. Concerning the period until 2010, these factors are addressed in more detail in Sirovatka (2014). We are building on this here and concentrate on the most recent period when Workfare II was implemented and failed shortly thereafter. Due to the space available, only the most important factors are discussed in each stage. Their summary is provided in Table II.

#### *The first reform steps (2006): work first approach*

The reform of 2006 was mainly influenced by political factors, the profile of the target group, and to some extent the scope of the problem.

*Political and public opinion factors.* In line with the protest avoidance strategy (Vanhuysse, 2006b), the Czech government decided to provide a relatively generous safety net in the early 1990s. In contrast to these generous policies, the centre-right governments that were in power after 1993 were always strongly neo-liberal in their public discourse rhetoric. The “individualization” of the causes of welfare dependency become generally widespread in public discourse (Sirovátka, 2014). Under these circumstances, SA benefit recipients were blamed in the eyes of the public for the gap between the relatively benevolent approach towards them in practice.

*The target group.* At the time of EU accession (2003-2004), the Czech Social Democrats who were in power faced difficult policy choices: they mainly had to

Period	Factors	Keywords
<i>Work first/incentive reinforcement</i>		
2004-2006	Political	Protest avoidance policies vs “blaming the victim” discourse
	Public opinion	Increase of welfare dependency vs easy access to benefits
	The problem	Marginal work force, weak political group
	Target group	
<i>Workfare</i>		
2007-2011	Political	Legitimacy of welfare state reforms
	The problem	Crisis: increase of UB and SA recipients, expenditure
	Target group	Undeservingness argument legitimising the reforms
	Institutional legacy	New policy field provides room for the radical reforms Specific policy-making model: “emergency” WS, adaptive to political demands, leading to compost model of policy making
<i>Failure of the reform</i>		
2012-2013	Political	Strong political demand for radical changes + speed of the reforms Political instability (caretaker government in 2013)

**Table II.**

The factors which influenced the activation/workfare reforms

continue with the reform of public finance in order to diminish the public finance deficit in order to comply with the Stabilization and Growth Pact requirements. Under such conditions, social protection for marginal groups became the target of curtailments (for similar conclusions, compare Kitschelt, 2001; Keman *et al.*, 2006).

*Scale of the problem.* The long-term benefit dependency associated with long-term unemployment represented one of the motives for the reforms. During the late 1990s, unemployment became a problem in the Czech Republic. Even after 2000, in times of accelerating economic growth, it rose to about 8 per cent-9 per cent due to structural problems, with long-term unemployment representing over half of the unemployed (i.e. long-term unemployment rate was above 4 per cent). Between 1997 and 2000, the number of SA recipients more than doubled (while expenditures increased more than threefold). During 2001-2006, expenditures on SA benefits varied between eight and nine billion Czech crowns (CZK), which was still less than the expenditure on unemployment benefits (8-11 billion CZK), but twice the expenditure on ALMPs (four to five billion CZK). In this context, welfare dependency was considered a problem as was easy access to benefits and lack of incentives for SA recipients to work. These issues were often publicly discussed and finally expressed in the proposal to reform the SA scheme as the main underlying reasons (MLSA, 2005; Vládní návrh, 2005)[6].

#### *Workfare reforms (2007-2012)*

The reforms of 2007-2012 and their failure were again mostly influenced by political factors and path dependency to some extent; see below.

*Political factors.* The workfare-like reforms played a crucial role in the broader context of welfare state reforms. Welfare dependency became a key argument used by the right-wing government when arguing for welfare state reforms aiming to cut public spending (Programové, 2007, 2010); they included implementing fees in healthcare, cutting family benefits, enacting reforms in pensions with less emphasis on the public pillar, while cutting social insurance payments and implementing a flat tax on incomes.

Most importantly, there was a political push to achieve savings in social expenditures and reforms aimed to activate welfare recipients with the requirement being a low deficit in public finance. This motive was successfully repeated by right-wing parties in the June 2010 election campaign (Bělohorský, 2010), although actually the cumulative public finance deficit in the Czech Republic (at 41 per cent in 2011) was among the lowest in Europe (compared to the 83 per cent EU average)[7].

Thus, workfare reforms were easier to ratify than reforms in other fields, because SA and activation represented new policy fields that arose after 1989 and path dependency did not play a prominent role (see Saxonberg *et al.*, 2013). By contrast, pensions and healthcare already had well established institutional frameworks and were defended by various actors. The workfare-like reforms fitted very well into the political project outlined by the centre-right governments which were in power from 2007 to 2013, whose objective was to roll back the welfare state. Although this political project was ratified through the use of strong ideological declarations, it was laden with problems of poor preparation, non-standard procedures of adoption and chaotic implementation of the measures. This approach corresponds to the “compost model of policy-making” typical for Czech neo-liberal policy-makers (Saxonberg and Sirovátka, 2014). Within this model, centre-right governments tried to introduce proposals, whenever possible, which would direct the country towards a more market-liberal path. However, for various reasons, primarily the lack of political power, they did not

propose heavy-duty, durable-goods proposals for systemic change. Instead, given their lack of popular support and the fragile majority in parliament, they chose various types of light suggestions and measures that allowed the situation to “decompose” and thus create fertile ground for more systemic changes in the future. That is, the reforms were to trigger a process of gradual change in which the components of the system do not disappear, but rather are eventually transformed into something else, creating ground for a new system to arise.

Furthermore, in the “compost model” of policy making, even the reforms which failed (in the sense of making the existing system ineffective) were not perceived as a mistake/failure. It was exactly because the new reforms failed that they could help “decompose” the existing PES and welfare system. The composting of the failed reforms thus established fertile ground for future far-reaching reforms such as workfare or cuts in other policy fields.

*Policy inheritance/path dependency.* The workfare reforms may be understood as top-down policy reform undertaken by the political elite. This pattern of policy making by a small circle of policy-makers and politicians represents one of the legacies of communism. A highly opportunistic approach to policy making represents such a legacy from the past which persists until the present. As Inglot (2008, pp. 310-311) explains, the analysis of “both the communist and post-communist periods (since 1989) reveals numerous contrasting examples of creative adaptations of existing welfare state institutions and inherited patterns of social policy making to regime change [...]. On the negative side, the same structure becomes even more vulnerable to political manipulation, and its replication under the new regime ultimately jeopardizes serious reform efforts”.

In contrast to political and institutional factors, the diffusion of ideas or policy learning considered by Bonoli (2010) played only a limited role: the instruments which were implemented following the experience of the other EU countries, like individual action plans, “non-colliding employment” or “shared mediation” (engagement of private agencies) in job counselling and mediation do not work well due to implementation deficits.

#### *The failure of the reforms*

The final failure of the workfare reform can best be explained by the political factors combined with the institutional factors. In the first place, the speed of the preparations and implementation of the reforms was due to strong political demand and enforcement, which lead to many substantial shortcomings (see the second section). What seems to be ironic is that the “compost model” of policy making, which made it possible to promote the workfare-like reforms, was also the key factor in their failure. These failures of activation/workfare reforms, like the rejection of the principles of reciprocity (balance of rights and duties), or social insurance rights, became apparent soon after their adoption.

Another factor was the political instability leading to change in the composition of the government: the centre-right government promoting the reforms had to resign in 2009 and again in 2013. Because the political project of the reforms (which exhibited workfare as the flagship) was abandoned due to the change of government, it was possible for these failures to be openly discussed and subsequently rejected.

As we can see from Table II, political factors dominated in all reform stages. In addition, the institutional legacy lead to the specific model of policy making (compost model) in the workfare period. This model of policy making together with political factors influenced the failure of the workfare reforms soon after their implementation.

## Conclusions and discussion

Over the years 2004-2013, reforms of the SA scheme in the Czech Republic have followed a direction from the work first approach towards workfare. Until 2006, the SA scheme aimed at preventing poverty and social unrest, thus allowing for a peaceful transition to a market economy. The reforms undertaken in 2004-2006 restricted access to SA by increasing conditionality and repressive sanctions. At the same time, they introduced some elements of activation based on individual support in job searches and financial incentives. In 2007-2012, other reforms which explicitly relied on the strong enforcement of workfare principles were implemented quickly by the centre-right government.

While until 2008 a work first activation approach was applied based mainly on incentive reinforcement (combining repressive and restitutive sanctions), after 2008 a radical workfare approach prevailed, where strong repressive measures were introduced as well as workfare requirements. A similar trend was apparent in employment policy in that unemployment protection and ALMPs with more restrictive sanctions were implemented but with less support to employability and access to the labour market. Finally, in 2011, workfare was expanded to apply to most of the unemployed. This approach represents a distinct path away from the trajectories recognized by Bonoli (2010, 2013).

The inspection of the factors behind the activation reforms in the Czech Republic generally confirms the relevance of the factors discussed in Lødemel and Trickey (2001) or Bonoli (2010). At the same time, the role of the specific model of policy making is emphasized. The main explanation for the reform of the SA scheme, however, consists of political factors and context. SA benefit recipients have been blamed for the gap between benevolent treatment in practice and the public discourse on the causes of welfare dependence, which have individualized the issue of poverty and eroded the public's solidarity with them during the 1990s and 2000s. In the initial stage of the reform, the government led by the Social Democratic Party faced the dilemma of a double backlash; this was in relation to the conditions that arose from the economic pressures of "negative integration". There was a question as to whether it was better to protect the "old risk groups" (which form the traditional core electorate of this party), or the "new risk groups"/marginal groups, such as SA recipients. The tendency towards the work first approach prevailed as a consequence of the preference given to the "core electorate". Later, during the crisis, in the broader context of welfare state reforms, the radical workfare reforms of the SA scheme helped the centre-right government to legitimize the other far-reaching social reforms consisting of cuts in benefits and public services.

Second, the profile of the target group matters, as does the low legitimacy of the SA scheme in the eyes of the public and policy-makers. The "moral failure" of the target group became a key argument when discussing broader welfare state reforms that aimed to cut public spending, as well as the workfare reforms.

Third, the problems of the increasing scope of welfare dependency and the related expenditure on benefits posed a challenge to the Social Democrat-led government in the mid-2000s. Similar problems were faced by the centre-right government in 2008-2011 during the financial and economic crisis when workfare reforms were implemented.

Lastly, institutional factors play an important role. SA and activation have represented new policy fields since 1989, in contrast to policy fields like pensions and healthcare, whose institutional frameworks were already established and defended by various actors. Second, the context of weak civil society and a top-down model of policy making represented an opportunity for politicians and policy-makers to promote their proposals of reforms. These proposals were, similarly as in the communist past,

dictated by political demand. In the conditions of parliamentary democracy, these proposals are pushed through with the help of the newly emerging compost model of policy making, aiming to decompose the existing system and provide fertile ground for changes in the future.

What might be considered an ironic consequence of the dominance of political factors in shaping the workfare reforms and promoting them is that the “compost model” of policy-making has inevitably led to considerable failures in the design and implementation of the measures and policies. These failures have become a strong argument for their refusal later in time.

### Notes

1. What we leave as an issue for further research is the impact of activation strategy.
2. This measure was designed as the ESF project DONEZ, the purpose of which was announced by the Ministry of Labour and Social Affairs to halt illegal work.
3. The author’s own computations based on data provided by the 2014 MLSA web portal.
4. The proposal to the court was submitted by parliament members of the opposition Social Democratic Party.
5. The reasons being first, the low effectiveness of the measure – due to the project only with about 7,300 of the unemployed (their total number was above 500,000 in 2012) – some administrative proceedings due to misconduct were initiated; and second, criticism by the Ombudsman (2012).
6. However, the expenditure on SA benefits still did not represent more than about 0.2 per cent of GDP. The main explanation for the reform of the MI scheme should be seen instead in the broader political context of the partisan politics that shape the dynamics of the Czech welfare state.
7. Data from the European Commission.

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