

Theory and Practice of Economic Transition

Labor Market, Social Policy and Health Care in Czech Transition

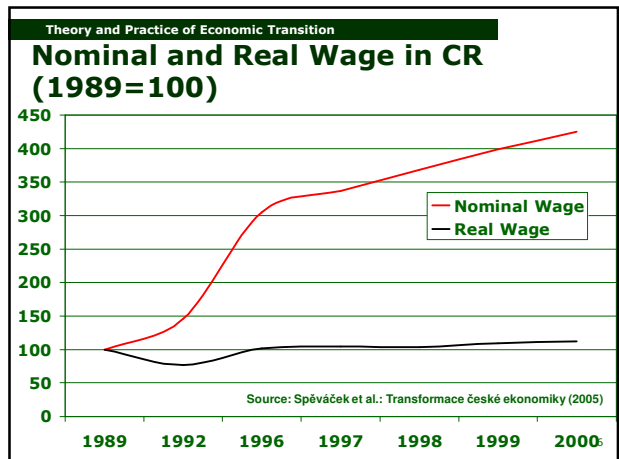
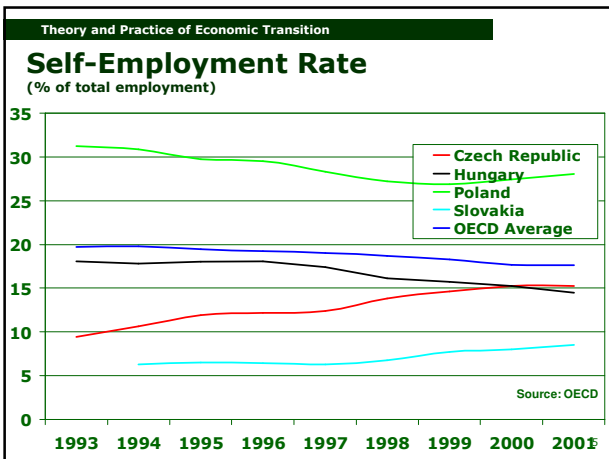
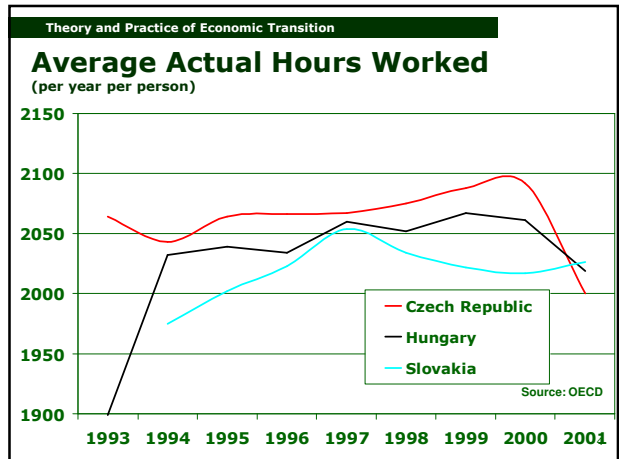
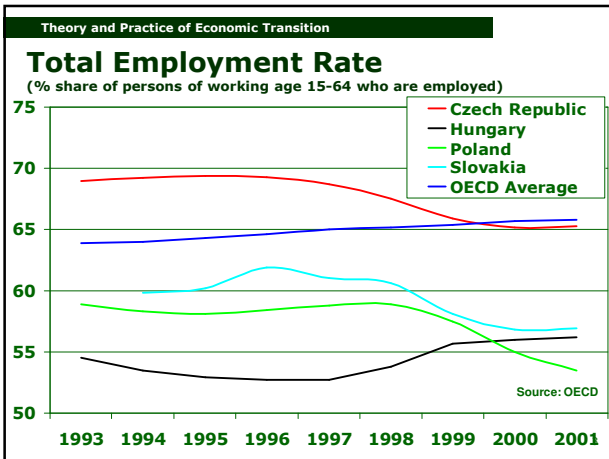
ŠKOLA EKONOMICKÁ
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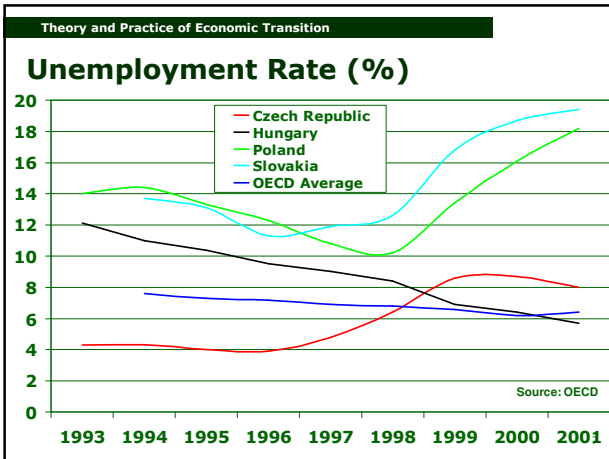
Theory and Practice of Economic Transition

I. Labor Market

- **starting position**
 - centrally planned structure of employment
 - obligation to work – official unemployment rate = 0
 - "lack" of work force
 - high economic activity of population
 - excess employment, inefficiency
 - artificially high proportion of heavy industry, mining and agriculture
 - underdeveloped sector of services (1990: only 43 % of total employment)
 - trade unions under political influence
- **transformation = imbalances becoming visible**

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Theory and Practice of Economic Transition

What is behind the Czech "Unemployment Miracle"?

- postponed restructuring (due to "banking socialism" and delayed real privatization), continuing over-employment – mainly less skilled workers
- early retirement (attractive - generous conditions)
- women leaving working force
- extended period of education of younger generations

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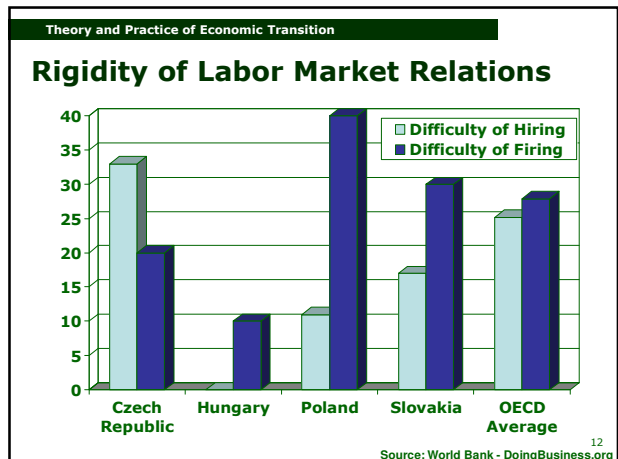
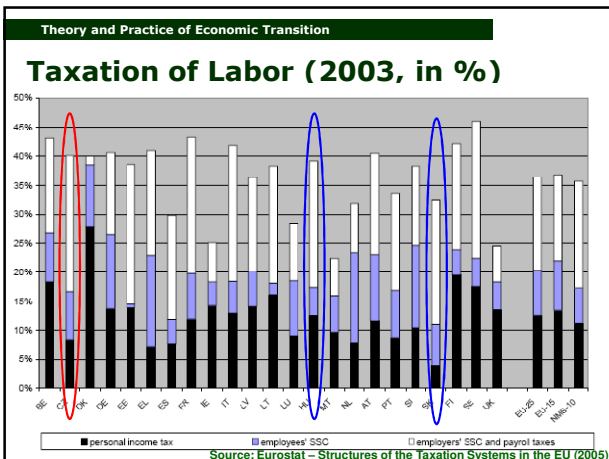
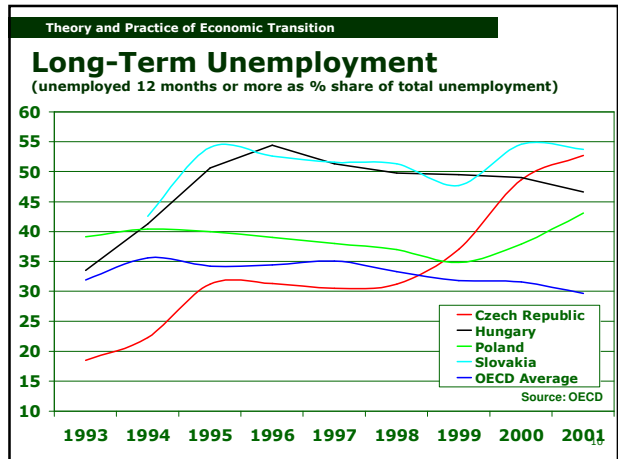
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Problems of Labor Market

structural factors: low flexibility of the labor market (Doing business – Employing workers: 59 [86 overall])

- high taxation of labor
- regulated housing market
- education
- demotivating social policy

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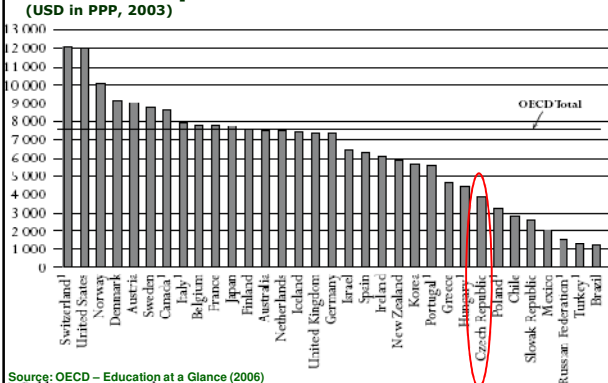
Education and Labor Market

- **starting position**
 - CPE: education planned to serve industry – focused on manual/technical skills
 - centralization, bureaucracy
 - no individual responsibility, weak tie between school and employment
 - relatively good formal characteristics (literacy rate, math, foreign language...)

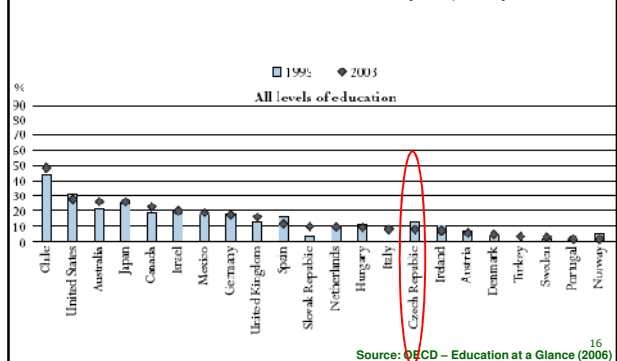
Education - Perspectives

- pressures to increase number of students – quality of education challenged
- ties between creation of knowledge and its use (additional education provided by employers)
- life-long learning
- private schools – increasing quality
- financing – end of "free education"?
 - tuition?
 - other private resources?

Annual Expenditures on Education



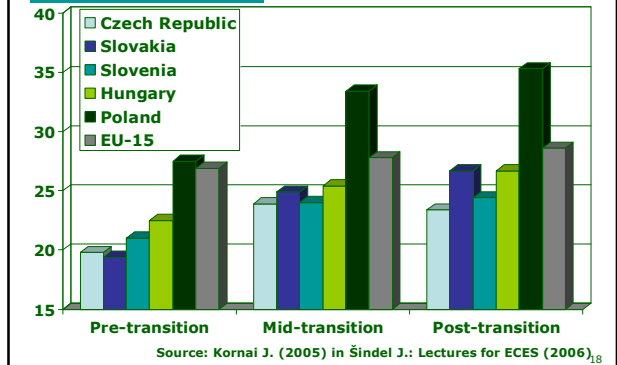
Share of Private Expenditures on Educational Institutions



II. Social Policy

- **starting point**
 - one of the most egalitarian societies in the world (income distribution)
 - social policy = "main achievement of socialism", BUT
 - centralization, bureaucracy, inefficiency
 - no private alternatives
 - political influences, bribing population
 - obsolete methods (large expensive institutions etc.)
- "social reconciliation" = using social policy to counterbalance transformation losses – losing political capital for changes
- inspiration by "western welfare states", at that time already in crisis

Gini Coefficient



III. Health Care

- **starting position**
 - general level of care low, elite hospitals
 - "free" health care – inefficiencies, corruption
 - dominance of doctors – patients only passive subjects
 - most health indicators declining since mid 60's
- **"transition" to market-based health care**
 - several non-profit insurance companies – but no competition
 - no private insurance allowed, direct payments limited – corruption as solution
 - heavily regulated
 - compulsory membership of physicians in Czech Medical Chamber

Health Care: Socialism Revived...?

Czech Social Democrats – Program for 2006 Elections:

- "Czech health care system is one of the most efficient in the world"
- "Solidarity should remain the main principle"
- "We will preserve free health care"

Chart 1.20. Infant and neonatal mortality rates, 2003

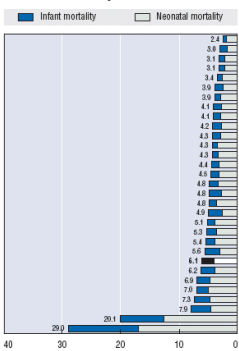
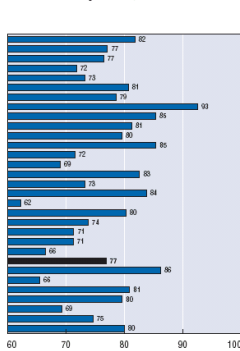
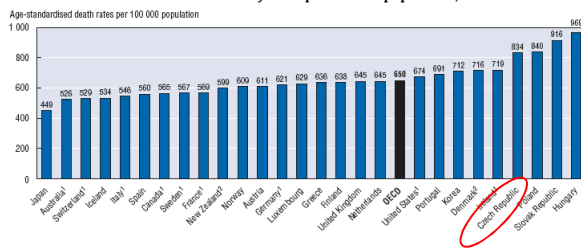


Chart 1.21. Decline in infant mortality rates, 1970-2003



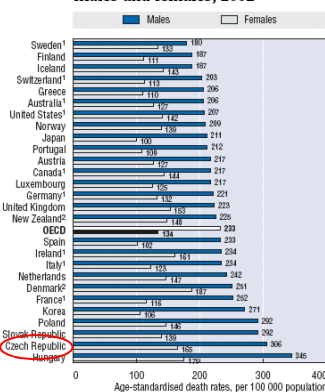
Source: OECD, Health at a Glance, 2005

Chart 1.7. Total mortality rates per 100 000 population, 2002



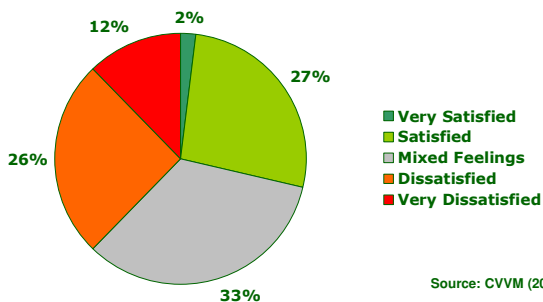
Source: OECD – Health at a Glance (2005)

Chart 1.12. All cancers, mortality rates, males and females, 2002

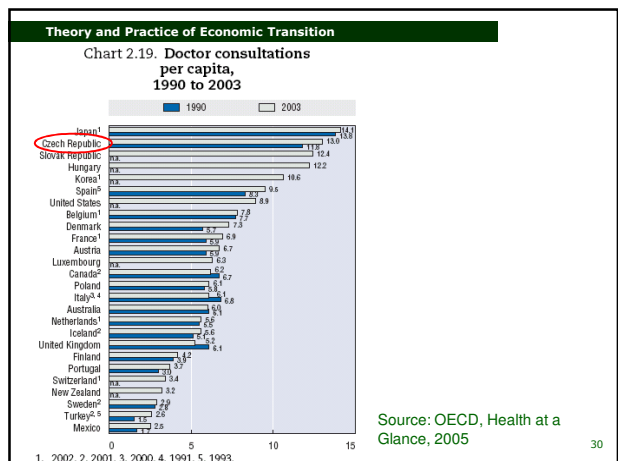
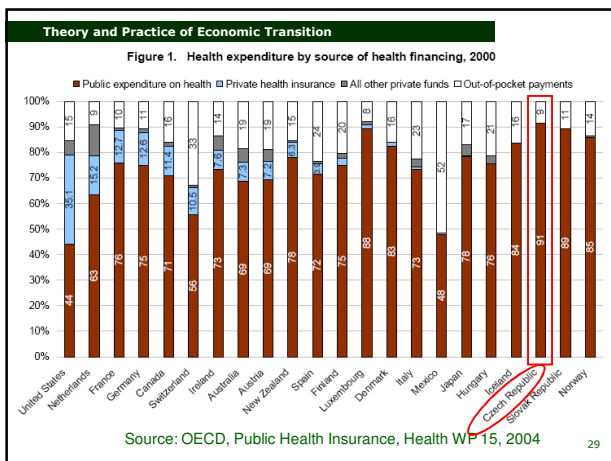
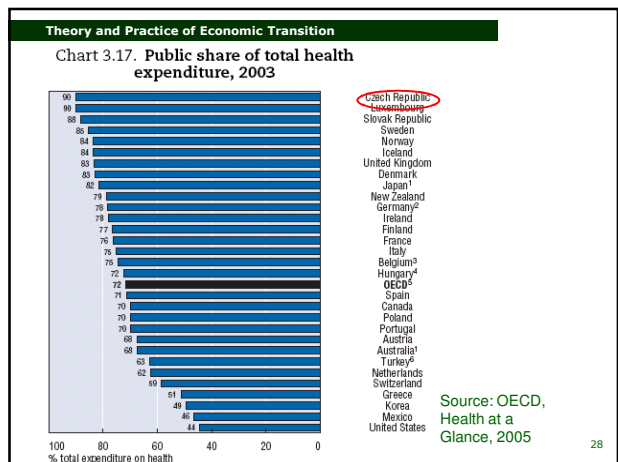
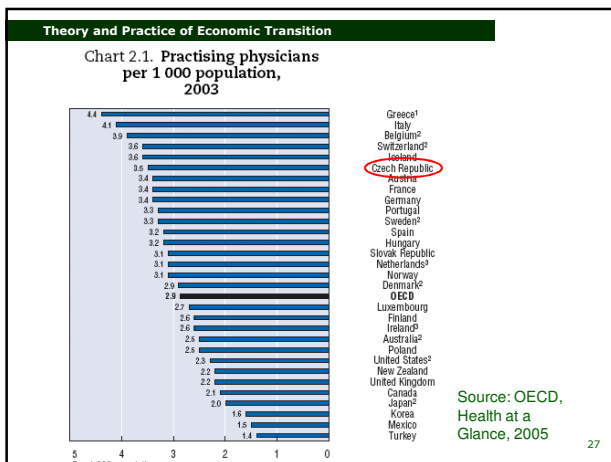
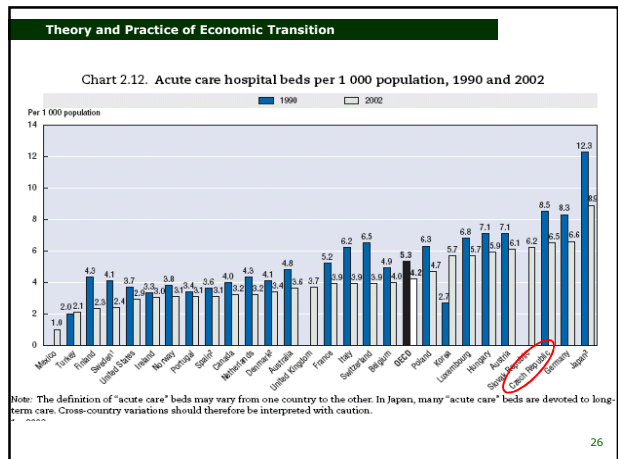
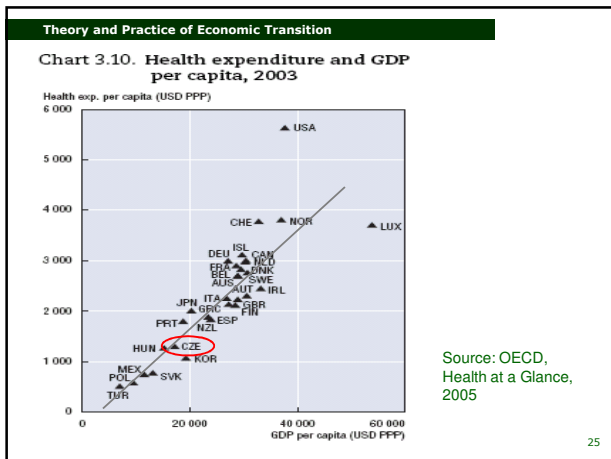


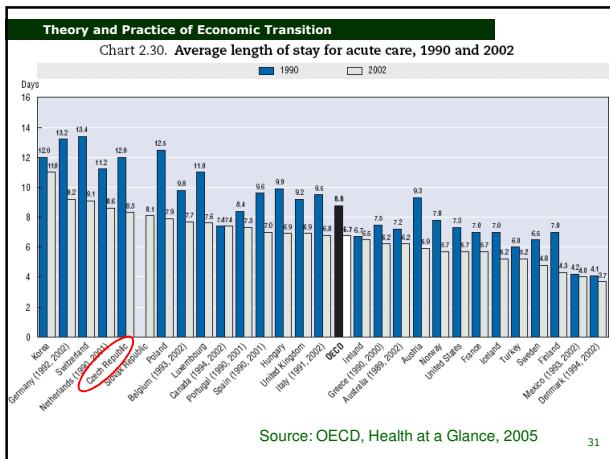
Source: OECD – Health at a Glance (2005)

Are Czechs Satisfied with Socialized Health Care?



Source: CVVM (2006)





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Summary of Czech Health Sector

- unstable financial situation
- impossibility to increase financing from public sources
- overconsumption of "free" services
- large regional disparities in quality
- wrong motivations of patients, insurance companies, health care providers...

REFORM

Regulatory fees: 30 CZK per visit (+ 5000 CZK ceiling)

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