

Further cutbacks to the Welfare State



At the beginning of 2009, the Czech Government acknowledged that the country would not escape the effects of the global financial crisis, as it had previously been trying to convince its citizens. However it did not pursue actions to protect the most vulnerable from the harmful effects. The political scene is perceived as increasingly riddled with corruption while society is deeply affected by inequality, discrimination, racism and segregation. Exports of weapons are on the rise in contradiction of the official foreign policy goals of supporting human rights and development and assisting with humanitarian aid.

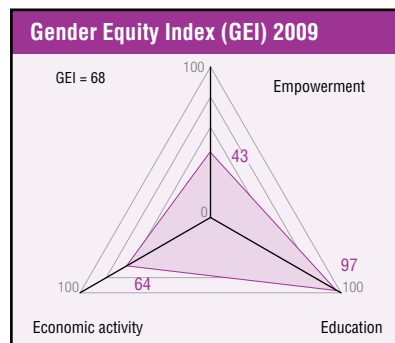
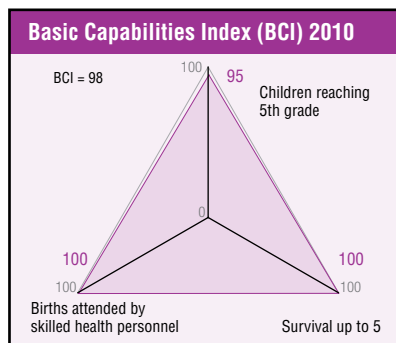
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The only positive economic news for the Czech Republic in 2009 was that the rate of inflation fell due to the global financial crisis. Unemployment rose by two thirds in one year¹ while the Gross Domestic Product (GDP) fell by 4.1%.² Although these results differ strikingly from the Government's optimistic forecasts (the 2009 budget assumed a GDP growth of 4.8%), they would have been worse – given export dependence on the car industry – without a German program under which people receive money towards a new car if they scrap their old one.

It is possible, however, that the tapering off of fiscal stimulus packages in EU countries in 2010 could cause the belated downfall of the Czech economy. By the end of 2009 unemployment had reached 9.2% – 539,000 people according to the Czech Statistical Office. The office also recorded a slight decrease in the number of people who were not “actively searching” for a job but willing to accept one. By the end of the year there were 173,000 in this category, hence 712,000 unemployed people altogether. At the same time, the Employment Office was registering just 31,000 vacancies. Significantly, Czech public television introduced a new reality show called “Don't give up!” featuring people competing to win a job.

Dismantling the Welfare State

Right-wing parties in the Government are using the crisis to further reduce the Welfare State, aggravat-



ing the drop in consumer spending and thus worsening the crisis. An increase in the value added tax (VAT) on basic commodities from 5% to 9% has been approved, which will raise prices for basic groceries, medicines, construction and energy, which represent a major part of expenditure by low-income people. In partial compensation, their income tax has been decreased. However, a much more significant tax decrease is taking place in the high-income group – those who earn four and more times the average. Moreover, tax on profits should drop to 19% by 2010. This means that business taxes will have gone down by 26% since 1993.

There is also a drive to privatize the pension system. The right-wing media succeeded in convincing the public that fund-based financing of pensions offers a solution to the problem of population aging (although this has no support in economic theory). For their part, the solutions offered by the social democrats are more focused on the anti-cyclical potential of progressive taxation and redistribution towards low-income earners. None of the Parliamentary parties propose restricting global tax evasion, while the Ministry of Industry and Trade web page still promotes “tax optimization” through tax havens and off-shore centres.³ According to the *Ekonom* magazine, some 7,000 companies had their fictional residence in tax havens at the beginning of 2009 and tax evasion amounted to approximately CZK 23 billion (USD 1.1 billion).⁴

There is growing public scepticism regarding politics owing to high levels of corruption. The country fell from 45 to 52 from 2008 to 2009 in the Transparency International Corruption Perception Index and ranks 22 out of 27 EU member states. According to the director of Transparency International Czech Republic, “there is no anti-corruption strategy, the former Government paid only lip service to this and opened the door for private interests to influence political decision-making.”⁵

Gender inequality

Women currently make up 22% of the Chamber of Deputies. After the elections to the European Parliament in 2009 the representation of women among Czech Euro MPs dropped to 18%. Political parties do not recognize the disproportional representation of men and women in decision-making positions as an important issue and there is a lack of motivational and educative programs as well as incentives to systematically seek more women for elected office.

The long-stalled adoption of the so-called “anti-discrimination act” in 2009 made the Czech Republic the last member of the EU – and one of the last European countries in general – to prohibit discrimination based on race, ethnic origin, nationality, sex, sexual orientation, age, disability, belief, religion and opinions, particularly in access to employment, education, health care or other services and social benefits. The tardiness in passing this act reveals the typical attitudes towards gender equality among Czech political representatives.

1 Czech Statistical Office, “Nejvyšší meziroční pokles zaměstnanosti od roku 1999,” 5 February 2010. Available from: <czso.cz/csu/csu.nsf/informace/czam020510.doc>.

2 Czech Statistical Office, “Meziroční pokles HDP za 4. čtvrtletí byl upřesněn na 3,1%,” 11 March 2010. Available from: <czso.cz/csu/csu.nsf/informace/chdp031110.doc>.

3 See: <www.businessinfo.cz>.

4 Adam Junek, “Vyhnaní do ráje” (Expelled into Paradise), *Ekonom*, 12 March 2009. Available from: <ekonom.ihted.cz/c1-35655550-vyhnaní-do-raje>.

5 Benjamin Cunningham, “Czech Republic ranks among Europe's most corrupt,” *The Prague Post*, 25 November 2009. Available from: <www.praguepost.com/news/2906-czech-republic-ranks-among-europes-most-corrupt.html>.

Discrimination against migrants, especially women

Over the last two decades the Czech Republic has seen a significant shift in the area of migration and integration. The number of foreign nationals and of those who want to settle in the country on a long-term or permanent basis has grown. Official statistics show that 436,116 foreign nationals were registered as of 31 October 2009, of whom 178,223 were women.⁶ An additional 300,000 foreign nationals are estimated to live in the country without a valid residence permit.⁷

One of the ongoing problems highlighted by NGOs relates to foreign nationals' access to health care. Pursuant to current legislation, only those with permanent residence or those with temporary residence who are employed have access to public health insurance. Other foreign nationals, including self-employed workers, have to get insured with commercial insurance companies and pay a high one-off lump sum that covers a considerably narrower range of health-care services. As of January 2010 this amount must also be paid for dependent family members in the case of family reunion or reunion of mixed marriages. However, there is no guarantee of coverage by insurance companies and some foreigners (e.g., the elderly, newborns, pregnant women) remain uninsured.

These institutional barriers disadvantage women in particular. Female migrants face multiple forms of discrimination (gender, ethnicity, nationality, age, social status, education level, etc.), especially in the labour market but also in access to education, childcare institutions and information. The work opportunities of female migrants are largely restricted to the secondary labour market (inferior, unskilled, poorly paid jobs) or the informal economy (with insufficient protection of labour rights, work without a work contract, etc.). Currently there is a pronounced tendency to restrict the entrance of foreigners even if this means indirect discrimination against Czech citizens who are in mixed marriages.

Racism and segregation

In 2009, unknown assailants in a suburb of Opava threw two incendiary bottles into the house of a Roma family where a number of people, including children, were sleeping. After months of intensive investigation, four men, all sympathizers of the right-wing extremist movement, are in custody charged with attempted murder with a racist motive. This case represents a breakthrough because the acts, unlike previous attacks, were criminalized as attempted

murder.⁸ This may have been due to the extensive media coverage of the case.

Media coverage may also have contributed to the alleged rise in extremist related criminal activity. According to the Ministry of the Interior, the number of such acts has risen by some 10% (from 169 in 2008 to 186 in 2009). The number of those accused has risen by approximately 16% (from 163 in 2008 to 189 in 2009). This apparent increase, however, might be due to the fact that the courts have become more willing to qualify cases of assault as racially motivated.

According to a survey commissioned by the Ministry of Education in 2009, every fourth Roma child of school age is labelled as slightly mentally disabled. Following the ruling of the European Court of Human Rights in Strasbourg former "special schools" were renamed "practical schools" but their essence has remained the same. Attempts to change this collide not only with the prejudices of individual principals, teachers and psychologists but also with purely financial interests as special education provision is subsidized. There is segregation even in ordinary elementary schools, and principals of some schools openly admit that they cannot enrol Roma children since they are under pressure from parents of non-Roma students who do not wish their children to study with Roma. Therefore there are divided "Roma" and "Czech" schools in some regions.

Since the European Roma Rights Centre (ERRC) published information in 2004 on the suspected forced sterilization of Roma women in the Czech Republic, civil society organizations have been monitoring this issue. In 2009, it became public that a case of involuntary sterilization had occurred as recently as 2007 when a social worker forced a woman to agree with the procedure under the threat that her older children would otherwise be placed in a children's home.

Weapons instead of development

A new bill on development cooperation was discussed with representatives of the national platform of development organizations in 2009. While this clarifies the structure of development activities, the administration of subsidies in bilateral cooperation remains flawed by a lack of transparency and unclear selection criteria. Another serious problem is the decrease in development funds. Official Development Assistance (ODA) amounted to USD 249 million in 2008 but fell to USD 224 million in 2009. It was only at the expense of a drop in Gross National Income (GNI) that the ratio of 0.12% was maintained, and the country will not be able to fulfil the EU pledge to raise ODA to 0.33% of GNI by 2015.

An earlier decline in arms production was due to a desire to reduce the arms trade, which was deemed unethical, and the conversion program for the industry expected a reduction of almost 90% up to 1992. After the establishment of an independent Czech Republic the program was gradually abolished on economic grounds, and obsolete supplies are often donated to countries plagued by internal conflict (e.g., Afghanistan and Iraq), countries suspected of re-exporting military material and countries in armed conflict (such as Georgia).

Legal weapons exports are possible only with the consent of the Ministry of Industry and Trade, conditional on statements by other Ministries. In many cases the weapons exports policy is the antithesis of official foreign policy goals – support for human rights, development and humanitarian aid. The country has lately been shipping weapons to countries where human rights are ruthlessly violated, to regions where they are sold to both sides of an armed conflict (Lebanon, Israel, Syria) or to places where they served to ignite the conflict directly (as in the South Ossetia war in 2008).

Legal exports of military material are rising and reached an all-time-high of EUR 189.6 million in 2008. In mid-2009, despite protests from Czech and international NGOs as well as some authorities, Parliament passed an amendment to the foreign trade act that decreases the authorities' ability to exercise control over weapons exports and allows unlicensed companies to negotiate weapons deals. According to František Janda of Amnesty International, licensed Czech arms exports take place "in a completely non-transparent manner."⁹

6 Czech Statistics Office, *Foreigners: by type of residence, sex and citizenship*, 31 October 2009. Available from: <[www.czso.cz/csu/cizinci.nsf/t/8200578577/\\$File/c01101.pdf](http://www.czso.cz/csu/cizinci.nsf/t/8200578577/$File/c01101.pdf)>

7 Czech Statistics Office, *Foreigners in the CR 2008. Annual Report* (Prague: Scientia, 2008).

8 Ministry of the Interior, "Problematika extremismu na území ČR v roce 2009" (The issue of extremism in the CR in 2009). Available from: <www.mvcr.cz/soubor/extrem-leden-zari-2009-pdf.aspx>

9 Markéta Hulpachová, "Arms export law raises concern," *The Prague Post*, 21 May 2009. Available from: <www.praguepost.com/news/1309-arms-export-law-raises-concern.html>