LABOUR IMMIGRATION IN THE CZECH REPUBLIC

Tomáš PAVELKA*, Libuše MACÁKOVÁ**
*Faculty of Business Administration, University of Economics, Prague
**Faculty of Business Administration, University of Economics, Prague

ABSTRACT
The Czech Republic is a small open economy, attractive for labour immigrants. Foreigners may participate in the Czech labour market either as employees or as independent entrepreneurs. The accession of the Czech Republic to the European Union in 2004 substantially changed the entry of citizens of other countries to the Czech labour market. Up to 2008, the number of economically active foreigners grew with the improvement in the Czech economy. However, their number declined with the economic recession in 2009 and 2010. The Czech Republic actively attempts to recruit qualified foreigners, and there have been a number of immigration programmes. From 2003 to 2010 there was the Selection of Qualified Foreign Workers; then the Green Card Project from 2009; and the Blue Card Project from 2011. The aim of this article is to analyse and explain these facts with the help of statistic data.

JEL CLASSIFICATION & KEYWORDS
J21 | Labour | Immigration

INTRODUCTION
The Czech Republic is a small open economy has become an attractive place for labour immigrants. There are many factors which impact on the flow of foreigners into the Czech labour market. The most important are the legal framework with its changes, and the efficiency of the Czech economy. In particular, legal changes took place in connection with the enlargement of the European Union in 2004: when the Czech Republic became a new member of the European Union. After that, legal changes in immigration policy have been connected with the introduction of different programs to attract special groups of labour immigrants from countries which are not members of the EU.

There was a relatively solid growth of real GDP at the beginning of the last five year period, connected with a significant decline in the rate of unemployment. At the end of 2008 and in 2009 the Czech economy was hit by the world recession. GDP fell sharply and the rate of unemployment increased rapidly. Both of these two different phases in the development of the Czech economy influenced the changes in the number and structure of foreigners in the Czech labour market.

The first part of the article deals with the detailed classification of foreigners who are economically active in the Czech labour market. The second part of the article analyses the impact of the admission of the Czech Republic into the European Union in 2004 and the influence of Czech economic development on the number and the structure of the foreigners in the Czech labour market. The last, third part of the text will briefly evaluate the Czech government's programs for attracting foreigners to participate in the Czech labour market.

FOREIGNERS ECONOMICALLY ACTIVE AT THE CZECH LABOUR MARKET
Foreigners who are economically active in the Czech Republic can be divided, according to current legislation, into two basic groups:

1. Foreigners registered in labour offices. This group can be further divided into:
   - Foreigners who are citizens of the Member Countries of the European Union, the European Economic Area and the European Free Trade Association (EU/EEA/EFTA): These foreign citizens and their family members are not treated as foreigners by current legislation; therefore, in the Czech labour market they have a position equal to that of Czech citizens. Consequently, citizens from these countries do not need work permits and can work in all professions except those for which the legal regulations require a person to be a citizen of the Czech Republic. The employer of these foreigners has to report these persons to the labour office.
   - Foreigners who need neither a work permit, nor a Green Card, even though they are not citizens of the Member Countries of the EU/EEA/EFTA: Which foreigners belong to this group is stipulated by the Act on Employment. They are, for example, persons who have been granted a permanent residence permit in the Czech Republic, persons employed on the basis of an international agreement which is binding on the Czech Republic, accredited members of the media, or students up to 26 years of age, teachers and researchers, sportsmen, etc. These foreigners have to inform the relevant labour office about their activities.
   - Foreigners who need a work permit or the Green Card: The Green Card is a permit for permanent residence in the Czech Republic for employment purposes. The Green Card, however, is issued only to the citizens of a group of chosen countries which are not members of the European Union, to people who have a qualification which is needed in the Czech Republic.

2. Foreigners undertaking business on the basis of a trade licence. Foreigners may run a business either as foreign legal persons, or as foreign nationals or as employees of a foreign company in the Czech Republic. Unless the Act stipulates otherwise, foreigners may run a business based on the same conditions as citizens of the Czech Republic. This group can be further divided into:
   - Foreigners – entrepreneurs from the EU/EEA/EFTA. Citizens from these countries do not have to possess a residence permit to receive a trade licence.
   - Foreigners from other countries need a residence permit to get the trade licence.
The whole development of economic activity of foreigners in the Czech Republic from the end of 2003 until mid-2010 is shown in Figure 1. In 2003, before the accession of the Czech Republic to the European Union there were 168 thousand economically active foreigners, of whom the share of foreigners–entrepreneurs was 37%. Specific legal changes took place when Czech Republic joined the European Union in 2004, and these changes influenced the further development of economic activity of foreigners in the Czech Republic. Citizens of the Member Countries of the European Union, the European Economic Area and the European Free Trade Association (EEU/EEA/EFTA) could be employed or could carry on their business in the Czech Republic on the same conditions as Czech citizens from 2004. For all other foreigners, who are not citizens of the Member Countries of the EEU/EEA/EFTA, entering the Czech labour market became more difficult: they need either a work permit or they could carry on the business if they had a permanent residence permit in the Czech Republic or a trade licence.

By the end of 2008 the first signs of the world economic recession became apparent in the Czech Republic. Production decreased particularly in the course of 2009. Firms, facing a slump in orders (contracts) gradually dismissed their employees. Among the first who were forced to leave their work positions were the foreigners. Moreover, large firms in the Czech Republic often used so-called agency employees. The agency employees are not the primary employees of the respective firms but the firms hire them from the agencies. Consequently dismissal of such employees is not costly for the firms because they do not have to pay them compensation - often several months' wages - and the period of notice, of course, does not apply. Among the agency employees foreigners were often predominant.

From the end of 2008 until mid-2010 there was a decrease in the number of foreigners in the Czech Republic of 54 thousand, i.e. 15%. The number of foreigners–employees diminished in the same period by 66 thousand, i.e. by 23%. The total number of foreigners employed in the Czech Republic as at the end of June 2010 was more than 218 thousand. The number of foreigners–employees who come from the EEU/EEA/EFTA countries declined slightly during the same period by ca. 1%; while during the first half of 2010 a slight increase is already apparent. In the same period the number of foreigners–employees who do not need a work permit and who are not from the EEU/EEA/EFTA countries, increased by 4 thousand, i.e. by almost 35%. However, in the case of foreigners–employees who need a work permit, there was during the same period a rapid decline of almost 70 thousand, i.e. by more than one half. A more detailed explanation of the impact of the economic recession on the employment of foreigners in the Czech Republic is shown in Figure 3.

Figure 3 depicts the inter-monthly percentage changes of the totals of foreigners registered at labour offices, inter-monthly percentage changes of the totals of the registered unemployed, and inter-monthly percentage changes of the totals of vacancies from the beginning of 2008 until mid-2010.

www.researchjournals.co.uk
The relationship between the number of foreigners registered at labour offices and the unemployment rate, as well as the vacancies, as shown in Figure 3, can also be expressed, of course, by means of correlation analysis. For the period in question the correlation coefficient between the number of foreigners–employees and the unemployment rate equals -0.71 and between the number of foreigners and the vacancies equals 0.5. From the calculated correlation coefficient one can imply that a relatively strong interdependence exists between the number of foreigners–employees and the unemployment rate. With the increase in the unemployment rate the number of foreigners registered at labour offices will decrease significantly. A moderately strong positive correlation exists between the total number of foreigners–employees and the vacancies; with a decrease in the vacancies, the number of foreigners registered at labour offices will decline.

The different impact of the world recession is noticeable in the case of foreigners undertaking business on the basis of a trade licence. From the end of 2008 until mid-2010 more than 12 thousand foreigners undertook their business on the basis of a trade licence in the Czech Republic: less than 2 thousand were from the EU/EEA/EFTA countries of origin, and more than 10 thousand foreigners–entrepreneurs came from third countries. For the explanation of this immigration development we must bear in mind the fact that in the case of losing jobs, foreigners from non-EU/EEA/EFTA member countries can prolong their stay in the Czech Republic for only a very limited time, while this is not the case for those running a business. Another reason is that foreigners undertaking business on the basis of a trade licence have the possibility of easy access to all other EU member states following the accession of the Czech Republic to the Schengen Area in December 2007. As for country of origin, during the economic recession the number of entrepreneurs coming from the Ukraine rose significantly: between 2008 and the first half of 2010: their number increased by 6.8 thousand, i.e. by 32%. In particular it is evident that citizens of the Ukraine have attempted to prevent their exit from the Czech Republic on account of losing their jobs by starting to run businesses.

**CZECH GOVERNMENT PROGRAMS FOR ATTRACTING FOREIGNERS TO THE CZECH LABOUR MARKET**

The Czech Republic seems to be an attractive place for foreigners from EU countries and for third country nationals. As a consequence of the enlargement of the EU in 2004 there was a growing demand for skilled workers in all EU countries. The fear of losing highly-skilled workers, especially young people, was a cause for concern. Starting in July 2003, the Czech Republic was already actively recruiting a skilled workforce from outside the EU by the Pilot Project Selection of Qualified Foreign Workers (planned for the 5 years 2003-2008). This pilot project had the objective of encouraging foreign professionals to come and live with their families in the Czech Republic. After staying for two-and-half-years, participants who had met all the project conditions could apply for permanent residence in the Czech Republic.

Although the assumption about the planned number of participants was not fulfilled (between 2 and thousand were expected), the project nevertheless attracted 1,138 qualified foreigners into the Czech Republic. A positive evaluation of the pilot project was the basis for the Czech government's decision to continue the project with the title Project Selection of Qualified Foreign Workers. At the end of 2010 the project was open to citizens of 51 countries¹, to graduates of Czech universities coming from all countries (who graduated after 1995) and to graduates of Czech secondary schools from all countries (who finished after 2000).

There are strict basic project entry requirements for participation in the project. Applicants must be at least secondary school graduates and find their own legal employment in the Czech Republic. Foreigners seeking a job in the Czech Republic can browse the „vacancies database“ or sign up and post their „CVs“. Employers can browse „job-seeker listings“ or sign up and post „job offers“ suitable for foreigners. Finally applicants have to obtain at least 25 points in a computerized selection procedure reflecting various criteria: qualifications, work experience, language skills, family situation etc. It is possible to obtain a maximum of 6 points for employment characteristics with 1 point for each 2 months of the duration of a valid work permit. Work experience can add another 12 points with 1 point for each six months of full-time employment preceding the issue of the work permit by virtue of which the candidate applies to enter the project. Education achievements are valuated very carefully: the highest level of education (completed study for a doctor's degree) gives applicants 15 points. Another important criterion is age: four points for applicants below 23, and points for ages between 23 and 35; but the applicant loses 1 point for every year over the age of 35. There is also an assessment of experience of life in the Czech Republic – 1 point for each documented 6 months spent continuously in the Czech Republic before the entry into the selection procedure (up to a maximum of 6 points). Language skills in the form of an official document certifying knowledge of or Slovak and knowledge of English, French or German are valuated up to a maximum of 9 points. Furthermore there is also a family evaluation: up to 10 points for the valuation of a wife/husband according to standard calculation and dependent children. The statistic about the numbers of participant presented on the website www.imigrace.cz.org goes only till July 1, 2010: 1766 foreigners have taken part in this project from its beginning by July 1, 2010. The permanent residence permit gained (by 31.3.2010) thanks the participation in the project participants (including their family members). More detail description of the numbers of applicants from countries with the most participants provides figure 4. Almost 80 % (78.2 %) of the applicants are university graduates (1981) and only about 20 % have secondary education (385). Quite interesting is age and gender structure of the applicants of the project: more then two thirds of the applicants (1218) are represented by those of age 23 – 35 followed by the

¹ Albania, Argentina, Armenia, Australia, Azerbaijan, Barma, Belarus, Bosnia and Herzegovina, Brazil, Cambodia, Canada, Costa Rica, Croatia, Cuba, Georgia, Guatemala, Honduras, Chile, India, Indonesia, Israel, Japan, Kazakhstan, Kyrgyzstan, Laos, Macedonia (*FYROM*), Malaya, Mexico, Moldova, Montenegro, Nepal, New Zealand, Nicaragua, Panama, Paraguay, Philippines, Republic of South Africa, Republic of Korea, Russian Federation, Salvador, Serbia, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, Turkmenistan, Ukraine, United States of America, Uruguay, Uzbekistan.

**Figure 3: Foreigners – employees, total unemployed and vacancies in the Czech Republic (2005 – 2010)**

Source: Czech Statistical Office, own calculations.
category above 35 years (522) which is more than 29 %; only 26 applicants was up to 23 years old. Now we take account of the gender structure as well: the share of males is nearly 63 % of all applicants, the females have significantly lower share – only 37 %. important criterion from the point of view of aim of the project was of course the professional structure: the dominant position was occupied by IT (480) the second by administrative (183) and the third place have taken science people (194).

information campaign in the Czech Republic and abroad, and the development of websites in many foreign languages. As a consequence, the costs per participant declined year by year. The cost per qualified worker gained thanks this immigration program is several times lower than the cost of educating one graduate at a Czech university. Furthermore, experience from similar programs show that one qualified worker creates more than one more work position, which can then be utilised by Czech citizens. When the economy of the European Union countries recovers we can expect stronger activity in attracting qualified foreigners from the third countries. It is reasonable to expect, therefore, that the project has come to a standstill only for a short period, and that it will be resumed with some attractive improvements.

Another project which was designed to help solve the problem of active immigration quickly and effectively is the project of Green Cards for workers with special qualifications. It started on 1 January 2009. The aim of this project is to support short-term immigration connected with specific free labour vacancies, to supplement the Project Selection of Qualified Foreign Workers which was planned as the starting project for a long-term immigration strategy. The main advantage of the Green Card is the simper entry into the jobs market for foreigners who have qualifications for which there is an specific demand in the Czech Republic.

The Green card is a permit for long-term residence for employment purposes in the Czech Republic; the Green Card Project combines the residence permit and the work permission document. Foreigners apply for a Green card at the embassy of the Czech Republic in the country of their origin. The Green card is only for citizens of the following countries: Australia, Bosnia and Herzegovina, Canada, Croatia, Japan, Macedonia, Montenegro, New Zealand, Serbia, South Korea, Ukraine and the U.S.A. Applicants from the European Union, Iceland, Lichtenstein Norway and Switzerland do not need a work permit or a Green card to work in the Czech Republic. From the point of view of qualifications there are three types of Green cards: the first is for qualified workers with university education and key personnel (type A); the second is for workers in jobs with a minimum educational requirement (type B); and the third is for all other workers (type C). The validity of the Green Card is for 2 years for type C, and is for two years and may be extended to three years for types A and B.

It was expected that the Green card project would attract several thousands of foreigners to the Czech Republic, but the reality was quite different: in the period of half a year only one worker from the Ukraine received a Green card. From the beginning of 2009 till March 2010 only 71 Green cards were issued, of which only 21 were the Green card type A for the highest level of education. The higher level of interest was shown only by citizens of the Ukraine. This unexpected low interest could certainly have been the result of starting the project in the period of economic recession which became apparent at the end of 2008. However, the lack of interest was apparent from both sides - from the foreign workers and from the home entrepreneurs. There are several different reasons for this poor start. The entrepreneurs prefer to employ foreigners via personal agencies as it makes it easier to discharge them at short notice without making further payments. The foreigners on the other hand do not see any advantages from taking part in the project. Acquiring the Green card for a special job does not guarantee them an employment contract after their arrival in the Czech Republic. The situation is not satisfactory for them even if they do get a contract of employment because if they leave their employment con-
tract in the first year, they lose their Green card validity. Furthermore, the lengthy and bureaucratic process of getting the Green card also plays a negative role. A specific reason for the failure is certainly the choice of countries involved, including the United States, Australia, Japan, New Zealand, and Canada, i.e. countries geographically distant and, in addition, economically more advanced than the Czech Republic. The program is not open to citizens of Vietnam and Mongolia, even though there are already numerous communities of Vietnamese and Mongolians in the Czech Republic.

The Blue card project was inspired by the system of American “Green cards”. Blue cards are like identity cards, and combine a residence permit and a work permit in one document. They have no link with the law for citizenship. The project was initiated by direction of the Council of Europe 2009/50/ES in May 2009 and became effective on 1st January 2011. The Blue card permits long-term residence for employment purposes in the Czech Republic under special circumstances. As regards qualifications it is available only for workers with higher professional or university education (with studies lasting for at least 3 years). The Blue card is designed for foreigners from countries which are not members of the European Union and to which an exemption listed in Section 98 of Act No. 435/2004 Coll., on Employment, applies. (Citizens of the European Union countries, Norway, Iceland, Lichtenstein, and Switzerland and their family members do not need a work permit, Blue card, or Green card to work in the Czech Republic.)

Applicants must have an employment contract for at least one year. The Blue card is issued for 2 years, and in the case of a shorter employment contract it is valid for the term of employment set in the employment contract plus 3 months. As such, the Blue card gives easier access for foreigners into the jobs market in the Czech Republic.

Even though the intention is to simplify the procedure for issuing Blue cards, applicants still have to go through several stages. First they have to find an available job; jobs available for Blue cards are primarily those which have not been successfully filled by workers from the Czech Republic or the EU. These jobs can be found in the central register of job vacancies available for Blue card holders accessible on the Internet. The next step is to contact an individual employer and to arrange the conditions under which the employment contract can be concluded. The last step is to submit an application to the relevant embassy of the Czech Republic and to wait for the reply.

CONCLUSION

The number and the structure of the economically active foreigners in the Czech Republic is significantly influenced by legal changes and by the economic development of the country. Substantial legal changes connected with the accession of the Czech Republic to the European Union in 2004, had a significant influence on the access of foreigners into the Czech labour market. Citizens of the Member Countries of the EU/EEA/EFTA enjoy the same conditions in the Czech labour market as Czech citizens. All the other foreigners need either a work permit or a trade licence if they have a permanent residence permit in the Czech Republic. The number of economically active foreigners grew with the improvement of the economic situation in the Czech Republic up to 2008, but then with the economic recession in 2009 and 2010 the number of foreigners declined.

As a consequence of the enlargement of the EU in 2004 a growing demand for skilled workers was noticed in all EU countries. Starting in July 2003, the Czech Republic started actively recruiting a skilled workforce from outside the EU by the Pilot project Selection of Qualified Foreign Workers (2003-2008) and by the Project Selection of Qualified Foreign Workers in 2009 and 2010. After a growing number of participants from 2005 to 2008, the economic recession pushed the number of project participants down in 2009 and 2010, and as a consequence the acceptance of new applications to the project was stopped from December 31, 2010. In the last two years the Czech government focused on two different immigration programmes, the Green Card program and the Blue Card program. It was expected that the Green card project would attract several thousand foreigners to the Czech Republic, but there was less than a hundred applicants from the beginning of 2009 up to March 2010. This unexpected low interest was certainly caused by the economic recession which became apparent at the end of 2008. Once the economy of the European Union countries recovers, we can expect a revival in the activity to attract qualified foreigners by the Czech legal authorities.

REFERENCES


Macakova, L., Adamek, P.: „The employment in the Czech Republic and in some EU countries its connection with migration“, In: L. Brenova „The Assumptions for the Labour Mobility after the Accession of the Czech Republic to EU“, Slaný: Melandrium, 2006.


www.researchjournals.co.uk