

# THE SCENARIOS OF SOCIAL POLICY DEVELOPMENT IN THE CZECH REPUBLIC

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## Abstract

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The main objective of this paper is to create scenarios of possible development of social policy in the Czech Republic and evaluate the probability of each scenario. Based on the literature review and scenario method, three scenarios are created (scenario of a positive development, scenario of a negative development, and explorative scenario), which are compared with the current state of Czech social policy and which evaluate the possible development of Czech social policy in the period up to 2050. For the implementation of scenarios, basic factors that influence the development of Czech social policy are identified. The complementary research methods are creative methods brainstorming and mind mapping, modelling, an intuitive method of estimating trends and decision-making method of scoring. The research shows that the Czech social policy system is threatened without accepting the strategic and conceptual social policy solutions. The probability of the scenario of negative development (critical scenario) of Czech social policy is more than ninety percent. This scenario is based on a deep economic crisis, the collapse of the entire system of social policy and great social unrest. The created scenarios are useful for actors of social policy which can reverse the negative development of Czech social policy.

Keywords: social policy, scenario method, social policy model, method of scoring, intuitive method of estimate trends, explorative scenario, scenario of positive development, scenario of negative development

## INTRODUCTION

Social policy is the supporting pillar of public policy. It can be said that the long-term concept and strategy of social policy determines the overall performance of the national and global economies. Social policy with its scope and rising requirements on maintaining its entire system becomes the main subject of expert discussions. Different concepts of social policy have their origin in different factors of social environments and also mean different approaches to solving social problems.

Europe is seeking to change because of many reasons, partly demographic-cultural, but also political and social. Today's society is aging, the number of those, who could have children, decreases rapidly, and the decline gains momentum (Laqueur, 2006). The current Czech and European social system is unsustainable, and therefore

requires the necessity to accept the system and conceptual solutions. Today, Europe is trying to apply the idea of a European welfare state. To define the concept of the welfare state is very difficult as there are in many modifications, in different economic or social conditions and in different countries.

The welfare state with the new society requirements is being forced to resolve funding of areas that were not previously considered to be a priority (i.e. culture, science, education, media, etc.). Therefore, there is an effort to find financial sources in increasingly problematic shaping state budget. The explanation for this situation lies in the conflict among the rights, requirements and options and between the overall enlargement of the welfare state and the limited resources, from which the state can acquire funds (Fiala, 2010, p. 127). Increasingly,

there are questions, what services of the welfare state can continue when economic growth slows or stops (and population is rapidly aging) (Laqueur, 2006). Therefore, the ideas of a new social policy model are becoming actual and important because the whole system will collapse without the adoption of effective and long-term solutions of social policy.

### Theoretical Framework – The Basis of Social Policy

The state social policy is seen as a purposeful action by government entities, whose main objective is with the selected instruments to influence the positive perceptions of living conditions of its citizens and create decent living conditions. Tomeš (2001) defines social policy as a systematic and purposeful efforts of various social actors to change or maintain its or another (state, local) social system. The current main trend and intention of social policy is to provide good education, good health and necessary, at least a minimum income for all citizens. Lambert (1998) gives a similar point of view of states social policy.

According Koutsiarasa (2009) social policy „comprises a wide range of collective actions seeking to protect individuals against unanticipated income losses resulting from social contingencies, to make sure that all citizens attain a socially acceptable standard of living, including material conditions and access to social entitlements, and to ensure a high level of social and cultural (or, normative) integration for all.“

Social policy corresponds with the term welfare policy or welfare system and includes housing policy, education policy, health policy, as well as other forms of other sectors including public policy (employment policy, retirement policy, family policy). The scope of the social policy concept is also linked to the national concept (Schubert *et al.*, 2009). According Balík *et al.* (2010) social policy is based on the work of the state administration in the field of social security, social services, employment, housing and traditionally ignoring the educational and health policies, which are mainly in the Scandinavian countries as an integral part of social policy.

Social policy uses a variety of instruments to achieve its fundamental objectives, which creates a system of social benefits, health and social insurance. Krebs (1997) distinguishes two basic types of social policy – active and passive. Active social policy was designed to establish the prevention of social problems and take preventive measures. Passive social policy focuses on solutions already existing social problems. The main instrument of social policy include program and plan social of policy, collective bargaining, social benefits associated with the social policy measures, social services, benefits in kind, specific loans and discounts (c.f. VŠERS, 2007).

The **objects of social policy** are citizens of a selected group of people (low-income, socially

and physically disadvantaged groups of citizens, as well as economic active part of the population, all citizens or individuals). For each of these groups, own instrument of social policy are formed and intervened. Some of the instruments of social policy are intended for all citizens (such as the right to health care, equal access to education, etc.), others are intended only for certain groups or individuals (families with children, the unemployed, the disabled, etc.).

The main **actors of social policy** is a state that represents Ministry of Labour and Social Affairs in the Czech Republic, local authorities (in the case of the Czech Republic – regions, municipalities), the implementing body of social policy in the Czech Republic is the Czech Social Security Administration, Service Management and Employment and other authorized regional authorities and other governmental and non-governmental organizations, local communities, NGOs, and international organizations, such as the European Union or the employers themselves and the employee and trade union bodies, civil initiatives, the churches.

Social policy reflects the standards and values of the society, for which it is made, and is always part of a social unit. Objectives, functions and tools of social policy are influenced by economic, social, societal, political, environmental, scientific and technological factors. Social policy is an important component of public (economic) policy. It is important to realize synergies between social and economic policies producing resources, which underpins the financing of social policy and which a basic pillar for financing of the social policy development.

### Typology and Model of Social Policy

The development of society, traditions, historical events and other related factors developed basic types of social policies – it is a redistributive (social democratic), labour power (conservative) and residual (liberal) type of social policy. This typology of social policy was introduced by H. Richard Titmuss in the late 70s of the 20<sup>th</sup> century. In most cases, these social policies do not exist in a pure form; it is a combination of all these types (Potůček, 2005; VŠERS, 2007):

**Redistributive social policy** is based on the dominant role of the state and engages all citizens, regardless of whether its intervention is socially necessary. The large extent of redistribution and perception of the needs of people as social rights is typical for this type of social policy. Type of redistributive social policy is typical for Scandinavian countries, Denmark, the Netherlands and approaching the social policy of the former totalitarian regime in Czechoslovakia.

**Conservative type of social policy** is based on the principle of satisfying the needs (based on income and merit). The basic instruments of this type of social policy are social insurance system,

where the state guarantees only social minima and creates space for the action of non-state actors. Conservative type of social policy is akin to social policies in France, Germany or Austria.

**Liberal social policy type** is characterized by a minimal role of the state in social policy, with an emphasis on individual responsibility and individual work. The activities of non-governmental institutions play a dominant role. It relies almost exclusively on the market and its institutions and the family. Role of the state as a subject of social policy is largely suppressed; the degree of redistribution here is the lowest of all types. This type of liberal policy is akin to the USA or the UK.

Esping-Andersen (Balík *et al.*, 2010) states a typology of social policy models that is close to the previous description: **liberal** (Anglo-Saxon), most closely related to the concept of social policy in the USA, **conservative** (Bismarck's) typical for Germany and social-democratic principles which are applied in the Scandinavian countries. Spicker (2011) searches and tries to generalize the ideal social policy model. Given the multitude of factors that affect the social policy system, searching the universal and ideal social policy model is almost impossible. Tomka (2006) characterizes the post-war development of the concept of a "European welfare state", which should be applied uniformly in all European countries in the future. However, Tomka speculates about the suitability of this concept in the future, especially for the countries of Central and Eastern Europe.

Model Czech social policy, as in other post-communist countries, is different from the classical Esping-Andersen's typology. The definition of Czech social policy model is ambiguous, because its development does not follow the trend of Western social policies and can be not likened to another model of social policies in Western countries. This identification is difficult due to state paternalism and the almost complete exclusion of other subjects from the social policy in the former communist Czechoslovakia. The post-November policy was influenced by the effects of international organizations (World Bank and International Monetary Fund). Equally significant influence can be traced from the intervention and integration into the European Union. The influence of these organizations proved to be less significant.

#### **Model of Social Policy in the Czech Republic**

The current Czech social policy is influenced by historical events that have shaped the current state and its society. Before the fall of the communist regime, the social policy system in Czechoslovakia was characterized by a monopolistic role of the state. The social policy of the former communist regime approached the redistributive type with certain negative political modifications. Paternalistic model of social policy proved to be completely dysfunctional and inefficient. Therefore, this social system gradually began to be reformed with

the advent of a democratic regime. This change is continuous, not abrupt.

In 1990, the Scenario of social reform was created, which identifies the main problems of heritage of socialism, which are: over-employment, cheap labour, unjustified income differentiation, the highest female employment in Europe, the negation of the right of association and collective bargaining, pro-natal population policy and so on (Kotous *et al.*, 2013).

The basic issues of social policy change were: transformation from centralized management to decentralization in the social field, transformation from state paternalism to civic participation, enabling the transition from state monopoly to liberalization. The social safety net was also created that includes a guarantee of employment (active approach and unemployment benefits), guaranteed minimum wages, and security of underprivileged by social benefits and services. It also counts with a minimum pension, housing protection, guarantees the provision of residential care.

Czech social policy reflects the needs of newly formed society that are affected by rising unemployment, poverty, growing income differentiation, inflation and price liberalization. Transformation of Czech social policy is difficult, because in Czech society, there is still the tendency to egalitarianism, solidarity and exclusive reliance on the state and the orientation on the old mechanism of formation resources – just as they did under the previous regime. In the current social policy, the purely paternalistic elements of the former regime can be found. Despite the effort of conceptual change, the old social policy system was remained in many features.

The current Czech social policy aims to increase active behaviour and individual responsibility of citizens in solving their problems and the implementation of efficient social policy reflecting state resources. Czech social policy is also characterized by insufficient level of participation of non-state actors in social policy making, there are still unresolved legislation in areas such as housing or education and the consciousness of citizens and their efforts still rely on paternalistic state, which is reflected by inadequate requirements of social benefits and their excessive abuse. According to Pavel and Galuščák (2007), the social benefits are disincentive for approximately one third of households. Czech social policy is based on a high degree of redistribution of social benefits, which leads to favouring the state budget and higher tax payments. This system leads to a high degree of dependence.

Czech social policy is burdened by the confusing legislative framework, in the form of different social benefits, the amount of legislation or amendment of older or even normalization laws. In the legislative area, there are few specific problems, which clearly work against this system. One of the indicators of measuring the effectiveness of the social security

system is the percentage of the administrative costs of the social system. The average of these costs in the Czech Republic climbed to 3.4%, which is higher than the average of EU Member States (3.1%), (Balík *et al.*, 2010; Kotous *et al.*, 2013). A certain ambiguity of Czech social policy model determines its vague concept and strategic framework. Also vague directions of social policy reforms by the social-democratic and conservative governments caused that it is currently difficult to define a clear future and development of Czech social policy. Večerník (2008) indicates the current challenges of the Czech social policy:

- the continuing decline in the birth rate,
- unfavourable demographic trend of an aging population,
- an increase in unemployment in certain age and working groups (graduates, people over 50 years old, less qualified),
- increase in the number of people using social care system,
- increase social and ethnic conflicts (esp. Roma communities),
- outflow of high and medium-qualified workforce with a negative impact on domestic sectors (research and development, health care, information technology).

## MATERIALS, METHODS AND OBJECTIVES OF THE RESEARCH

The main objective of this research is to create the possible scenarios for the development of social policy in the Czech Republic in the period up to 2050. This objective is fulfilled by an analysis and evaluation of the current situation and by a creation of the current social policy model in the Czech Republic. In the scenarios, it is necessary to establish relationships between objects or entities (Clark, 2007). According to Zbořil (2000), scenarios are prepared to meet the challenge of sustainable development and begin with the three givens: novelty, multiplicity and interconnectedness. These scenarios create a common starting point for all further differential stories. This paper uses the methods of creative thinking brainstorming, mind mapping and modelling, which specifies Potůček *et al.* (2006). These methods complement creative method of scenarios, which is the main method of the research and which is used in this paper for the creation of various scenarios of social policy in the Czech Republic.

Scenarios are one of the most common methods in forecasting. According to Potůček (2006), scenarios are stories about a possible future. Their objective is not precise predictions, but rather a description of possible developments arising under developmental connections between different contexts. Godet (2006) defines a scenario as a description of the situation and possible future events that allow you to shift from the present to

the future. It does not describe just one future, but few viable or desirable futures together, several possible variants of the development (Mietzner, Reger, 2004). Wilkinson (1995) states that the purpose of using the scenario planning is not to determine future events but to emphasize the large forces or events that may affect in the future the different directions. Schwartz (1996) also states that the scenarios can highlight the forces that affect or could affect the different directions in the future.

Quality scenarios should lead to the political and economic strategies. They are a useful tool in situations where the past and present is not a guide to the future. Scenario method can be used if there is a high probability of a significant change in society, especially when it is necessary to work with many factors at once, and in case of the high degree of uncertainty of the future. The objective of the scenario method is to determine the critical point in its development where it is necessary to make a crucial decision. Frič and Veselý (2010) distinguish **predictive scenarios** that predict what will happen in the future, **explorative scenarios** that correspond to the question of what would happen, and **normative scenarios** that evaluate how to achieve a specific goal. Exploratory scenarios explore the possible future situation and development, usually from different perspectives. For these reasons, it is usually processed several scenarios in order to capture the full range of possible futures (Frič, Veselý, 2010). For the purpose of this paper, the exploratory scenarios are used.

Another research methods used for this research are the selected decision-making methods that can help to determine the probability of each scenario realization. The basic research decision-making method is a **method of scoring** in the specified interval; the overall rating is determined by using the method of **weights in order** of selected criteria (factors). These methods belong to the most used and simplest managerial decision-making methods (Roudný, Víšek, 2009). The method of scoring determines the degree of probability of various scenarios and quantifies the problem solved. Another method of this paper is an **intuitive method of estimating trends**. This method is based on the same principle as a method of extrapolating trends. This method is based on the same principle as a method of extrapolating trends which assumes no changes in variables over time and therefore cannot be utilized for economic forecasts. For this reason, the intuitive method of estimating trends is in the paper used (especially in case of the absence of relevant data and the cyclical fluctuations of economic data).

## Description of the Research – Scenarios of Czech Social Policy Development

The chapter is dealing with the process of creating scenarios of social policy development in the Czech Republic and to evaluate the probability of each scenario. The reason for the focus on social policy



I: *The Process of Creating Scenarios*

Phases of Creating Scenario Process	Characterization of Creating Scenario Process
<b>I. Preparatory phase</b>	<ul style="list-style-type: none"> <li>● <i>The definition of scenarios</i> – the development of social policy in the Czech Republic.</li> <li>● <i>The objectives for scenario method</i> – analysis and evaluation of a potential long-term development of social policy in the Czech Republic.</li> <li>● <i>The determination of the factors driving forces</i> – external, internal; foreign, domestic (for details see Tab. II).</li> </ul>
<b>II. Creative phase</b>	<ul style="list-style-type: none"> <li>● <i>The definition of the current state</i> – the current state of social policy in the Czech Republic (assuming no change) and its modelling.</li> <li>● <i>The definition and typology of scenarios</i> – exploratory scenarios – three variants of scenarios – scenario of a positive development (optimistic scenario), scenario of a negative development (critical scenario), explorative scenario (realistic scenario).</li> <li>● <i>Horizon duration</i> – long-term (2050).</li> <li>● <i>The content of scenarios</i> – the definition and description of the factors that influence the scenarios; the description of possible developments; conclusions of scenarios.</li> <li>● <i>The decision-making process of scenarios</i> – the weights of each criterion (factors affecting the feasibility of scenarios, method of scoring, evaluation of the scenario probability (assessment of their importance and uncertainty).</li> </ul>
<b>III. Reporting and usable phase</b>	<ul style="list-style-type: none"> <li>● The evaluation of the effects of various scenarios of social policy.</li> <li>● The assessment of the probability of implementing scenarios and consequences of each scenario realization of social policy development in the Czech Republic.</li> <li>● The evaluation of the most probable scenarios for the social policy development in the Czech Republic and recommendations.</li> <li>● Discussion and conclusion.</li> </ul>

Source: own

is the fact that it is considered to be the largest and most important area in the public policy.

The alternative scenarios for the development of social policy has been discussed by Kaive-oja (1999), which predicts the development of social policy in the light of environmentally sustainable development of each scenario – i.e. the deep ecology scenario, the weak and the strong sustainable development scenarios, the boomsday scenario, the doomsday scenario and the world bank “policy tunnel” scenario. These scenarios are intended to further strategic decisions of “sustainable development policy”. However, the environmental aspects of social policy are not in this paper involved. Theory of scenarios environmentally focused development of social policy in the European Union supports Bournaris (2012). He focuses on the influence of agricultural policy of the European Union on the further development of social policy. Dorn (2010) focuses on the scenario of the European public policies with respect to increasing market regulation by the government. In this case, Dorn takes into account three scenarios – scenario I: regulation lite scenario II: tightening up and scenario III: EU economic government.

Publications that would deal directly with the scenarios of the Czech social policy development are missing. They deal with only forecasting of a negative development of European social policy (e.g. Moses, Daunton, 2014; Copeland, Daly, 2014; Porte, 2011; Gerbery, Džambazovič, 2011; Atkinson, 2008). Therefore, this paper dedicates to this topic. The following Tab. I describes the different phases (preparatory, creative, reporting and usable

phase) of the process of creating scenarios of social policy development in the Czech Republic (scenario of a positive development, scenario of a negative development, explorative scenario). The constructions of scenarios were created by selected authors (Potůček, 2006; Martinovský, 2013; Smolík in Mareš, 2013). All scenarios are created for the horizon up to 2050.

### ***Factors in Scenarios of Czech Social Policy Development***

The following section of the paper outlines the basic factors that influence the social policy development in the Czech Republic (see Tab. II). These factors are described with regard to the current state and the various scenarios of the social policy development in the Czech Republic. The various relationships and common characteristics of social policy are gradually grouped into factors driving forces (Zbořil, 2000).

The following Tab. III reflects the current state and the scenarios of Czech social policy development with regard to the various areas of social policy – i.e., employment policy, housing policy, family policy, education policy, family policy, education policy, health policy, and retirement policy. The aforementioned factors and social policy areas are described in more detail in the following chapters.

### ***The Contemporary Czech Social Policy Model (Without Change)***

The current model of social policy in the Czech Republic serves as the basis for creating the various

II: Summary of the Development of the Factors in the Various Scenarios of Czech Social Policy

Factors (criteria)	No change – the current state of Czech social policy	Scenario of a positive development (optimistic scenario)	Scenario of a negative development (critical scenario)	Extrapolative scenario (realistic scenario)
<b>Influence of European Union</b>	Currently, medium influence of EU the further strengthening the influence is expected to esp. in the legislature	Minimal influence of EU within the social policy, autonomy in social policy and its legislature	Absolute influence of EU in social policy, CR legislature under the EU norms and standards	Social Policy CR under the strong influence of the EU, particularly in the legislative field and its whole social conception
<b>Influence of other foreign and international subjects</b>	Currently, minimum influence of the foreign subjects on social policy	Minimal influence of foreign subjects and states on social policy and its legislation	Absolute influence of foreign subjects and states on social policy and its legislation	Strong influence of foreign subjects and states on social policy and its legislation
<b>Governmental policy</b>	In the area of social policy progress towards the European welfare state, no political consensus about the social policy	The consensus across the political spectrum, a clear long-term concept and new model of social policy	Chaos and destabilization of the government, focused on solving the operational and critical events, social policy taken a back seat	The Government policy is subordinated to the concept of EU social policy, ongoing disputes of political parties, difficult to find a political consensus
<b>State budget</b>	Increasing the deficit of state budget, public debt consists of 47% of GDP (i.e. moving to an annual balanced budget, 1.9 billion CZK), the requirement for the stabilizing public finances	Decreasing the deficit of state budget, moving to an annual balanced budget, public debt does not exceed 100% of GDP, public finance stabilized	Critical deepening public debt to GDP (over 300% of GDP), the ever-increasing deficit of state budget, crisis of public finance	Deepening deficit of state budget, public debt does not exceed 200% of GDP, public finances are not stabilized
<b>Demographic development of the population</b>	The gradual decline in fertility (as in other EU countries), one of the lowest mortality rates in the EU – increasing the share of pensioners, one of the lowest marriage rate in the EU, the divorce-rate over 50%	Increasing birth-rate and the marriage-rate, decreasing the divorce-rate, increasing the number of Czech population, especially economic active (especially the indigenous population CR)	Critically low birth-rate and marriage rate, divorce-rate exceeds 70% due to new family lifestyle, the proportion of pensioners exceeds 70%, Decreasing the population in the Czech republic by 20–25%	The negative demographic trends still not solved, stagnation of the birth-rate and marriage rate, divorces remains around 50%, the continuous aging population and increasing the proportion of pensioners
<b>Social unrest and ethnical conflicts</b>	The increasing social tension towards minorities and socially disadvantaged groups, xenophobia, tendency to extremism and growing popularity of extremist parties	Social consensus towards minorities, conceptual solutions for socially disadvantaged groups, society of tolerance towards all minority groups, extremism suppressed	Enormous social unrest and social chaos, frequent demonstrations, popularization of extremist political parties (in government), the destabilization of society	The issue of socially disadvantaged groups unsolved, xenophobia persists, tendency to extremism grows, the problem of social reconciliation
<b>Migration and immigration</b>	The tendency of Czech residents is not to leave their country, the influx of immigrants from countries of the former Soviet Union, South Asian countries	Czech population does not migrate and remains in the Czech Republic, plenty of lucrative employment opportunities for all social groups, the decrease in inflow of immigrants	Economically active population collectively or in large part leaves the CR, the massive influx of people from Slovakia, Poland, Ukraine, Vietnam, Mongolia etc.	The tendency of the younger and educated generation to permanently leave the Czech Republic due to work, increasing immigration of certain groups of people from abroad
<b>Economic development of the state (CR)</b>	The stagnation and persistent depression of economic development, the lingering economic crisis	The boom period in GDP growth by a few % per year, the inflow of foreign investments, full employment and low inflation	The deepnational and globaleconomic crisis, GDP declines by a few % per year, enormous unemployment	The impossibility to refresh the economic growth, the problem of economic stagnation or slight decline

Factors (criteria)	No change – the current state of Czech social policy	Scenario of a positive development (optimistic scenario)	Scenario of a negative development (critical scenario)	Extrapolative scenario (realistic scenario)
<b>Unemployment</b>	Higher unemployment (not more than 10%) – a result of the lingering crisis, one of the lowest in the EU	Reduction of unemployment at the level 5%, state support of small and medium-sized businesses, creating new workplaces	Unemployment is between 20–25%, connected with social unrest, deepening poverty and social differentiation	Unemployment is between 7–10%, no possibilities for creating new workplaces, sustained discontent of the population
<b>Inflation and price liberation</b>	Low level of inflation, deflation tendency, CNB interventions to increase of the consumption, but unsuccessfully (ineffective)	Inflation does not exceed the 2% per year, the stabilization of prices, chaos, the increasing price and 2–5%, increasing consumption, the maximum proportional price increase, medium interventions of CNB (effective)	The price destabilization and low level of inflation between 20–25%, connected with social unrest, deepening poverty and social differentiation	Low level of inflation between 7–10%, no possibilities for creating new workplaces, sustained discontent of the population
<b>Income differentiation</b>	Still increasing differences between income groups (high unemployment, poverty, lack of financial literacy)	Reducing of differences in incomes, raising living standards throughout the all social groups, the dramatic fall in poverty	Vast disparities in income groups, deepening poverty, reduction of nominal and real wages, the phenomenon of homelessness	The differences between income groups is deepening, persistent social problems, the poverty does not threaten the stability of CR
<b>Conception and strategy of Czech social policy</b>	The long-term concept or strategy for social policy is not precisely defined, only minor and operational changes in individual areas of Czech social policy	A clearly defined concept, strategy and long-term direction of social policy, moving towards trendy social policy model, in accordance with the concept of other EU countries	Due to the deepening economic and government's crisis the social policy absences a coherent direction, concept operational changes that do not have meaning, the political, economic and social chaos	A clear conception of social policy still not defined, the solution of partial operational changes that do not have long-term projection, looking for inspiration in neighbouring countries

Source: own

## III: The Various Scenarios in Various Areas of Czech Social Policy

Factors (criteria)	No change – the current state of Czech social policy	Scenario of a positive development (optimistic scenario)	Scenario of a negative development (critical scenario)	Extrapolative scenario (realistic scenario)
<b>Employment policy</b>	The instruments of active employment policy are ineffective, the high bureaucracy, policy that do not support the business entrepreneurial environment, excessive abuse of social contributions	The very effective concept for active employment policy (for all social groups), active support for entrepreneurship, minimizing the abuse of social contributions	All efforts of full employment absolutely ineffective, the outflow of foreign investors and end small and medium-sized enterprises, missing concept and strategy	Medium effective active employment policy, the steady number of small and medium-sized enterprises, persistent bureaucracy for business support
<b>Housing policy</b>	The concept of social housing at the level of other EU countries, the rent deregulation, the tendency to abuse benefits and housing allowances	The concept of housing policy only for vulnerable groups (disabled, etc.), inspiration by Scandinavian countries, minimizing the abuse of benefits in this area	The strategic concept of housing policy is missing (focusing only on critical issues), excessive abuse of benefits and housing allowances, destabilization of this policy	The orientation of housing policy with regard to EU legislation, the tendency to reduce the number of abused social benefits and housing allowances
<b>Family policy</b>	The concept at the level of other EU countries, the average effective, the various social contributions, influenced by demographic trends	Priority and one of the main pillars of social policy for supporting families and birth-rate, very effective for positive demographic trends	The family policy taken a back seat, no support for family or birth-rate, absolutely ineffective, this policy negative for demographic trends	Following the trends in other EU countries, active support for families, medium effective (for marriages and birth rates)
<b>Educational policy</b>	The active support of all levels of education, the pursuit of educational reform and systemic change, not very successful	Creating a model concept of educational policy and effective system solution (not only partial reforms), inspired by the British education	Chaos in the educational system, education on the labour market is losing its value, declining the practical literacy of the population	Attempt to change the educational system that supports labour market, focusing on the German education, support craft occupations

Factors (criteria)	No change – the current state of Czech social policy	Scenario of a positive development (optimistic scenario)	Scenario of a negative development (critical scenario)	Extrapolative scenario (realistic scenario)
<b>Health policy</b>	The missing system solution for increasingly expensive health care, finance destabilized in this field, ineffective reforms	Establishment of an effective long-term conceptual framework stabilizing budget for this policy, the influx of foreign health workers	Health policy in a deep crisis, the impossibility of funding the basic health care, the outflow of health professionals abroad	Health care reform still unresolved, problematic financing of more expensive health performance counters and others
<b>Retirement policy</b>	A large number of people unemployed or inactive, an increasing number of pensioners; system works only of inertia	Effective family policy supporting the concept of pension policy, population financially independent on the state	The failure of pension policy → jump deepening budget deficit; pensioners threatened by the poverty, no resources to pay the pensions	Creating the additional short-term and not very effective reform solutions, missing consensus across the political spectrum, threat of the failure of the system

Source: own

scenarios of social policy. The current model of social policy lacks a coherent conceptual framework and long-term strategic solutions to social policy in the Czech Republic. Social policy is loaded with confusing legislature and the excessive abuse of social benefits and contributions. The long-term conception and a strategic plan are being missed in all areas of social policy (i.e. employment policy, family policy, housing policy, educational policy, health policy and retirement policy). The current Czech social policy model is complicated, confusing and provides considerable scope for its abuse. The conservative and social-democratic governments are aware of the need for extensive reform and systemic solutions to social policy. However, the strong political consensus for the long-term direction of social policy is missing.

The funds needed for financing the social sector in Czech Republic are provided by the state from taxes (direct and indirect taxes), social insurance or other income and assets (Duka *et al.*, 2013). Czech social security system is based on three relatively independent pillars – **the social insurance** providing contributions for unpredictable social situations, **the state social support** designed to solve family situations (birth, death, etc.) and **the state social assistance** used for financing the unexpected social situations and immediate help. The financing of social transfers and services are diversified depending on the individual pillars of social policy (Balík, 2010).

The historical events in the Czech Republic caused that it is not possible to clearly define the typology of Czech social policy. Currently, Europe faces an aging population and a gradual loss of economically active population due to declining fertility and gradual social disintegration of the traditional family model. It also has to deal with the phenomenon of immigration from developing countries and social problems that are associated with this. The Czech Republic is no exception. Therefore, it is clear that the Czech social policy has to face the new challenges of the 21<sup>st</sup> century. Currently, the Czech social policy is burdened by the lingering economic crisis, high unemployment, growing public debt and low power consumption. These aspects may endanger the stability of social policy and its further development. The biggest problems, which the current Czech social policy solves, can be seen in the area of pension policy. This area records the efforts of a comprehensive reform and the need for long-term solutions, but ineffectively and unsuccessfully (for example, an introduction and interference of the second pillar of retirement policy). Czech social policy is also facing the social problems related to minorities and socially vulnerable groups of the population that is destabilizing the whole system.

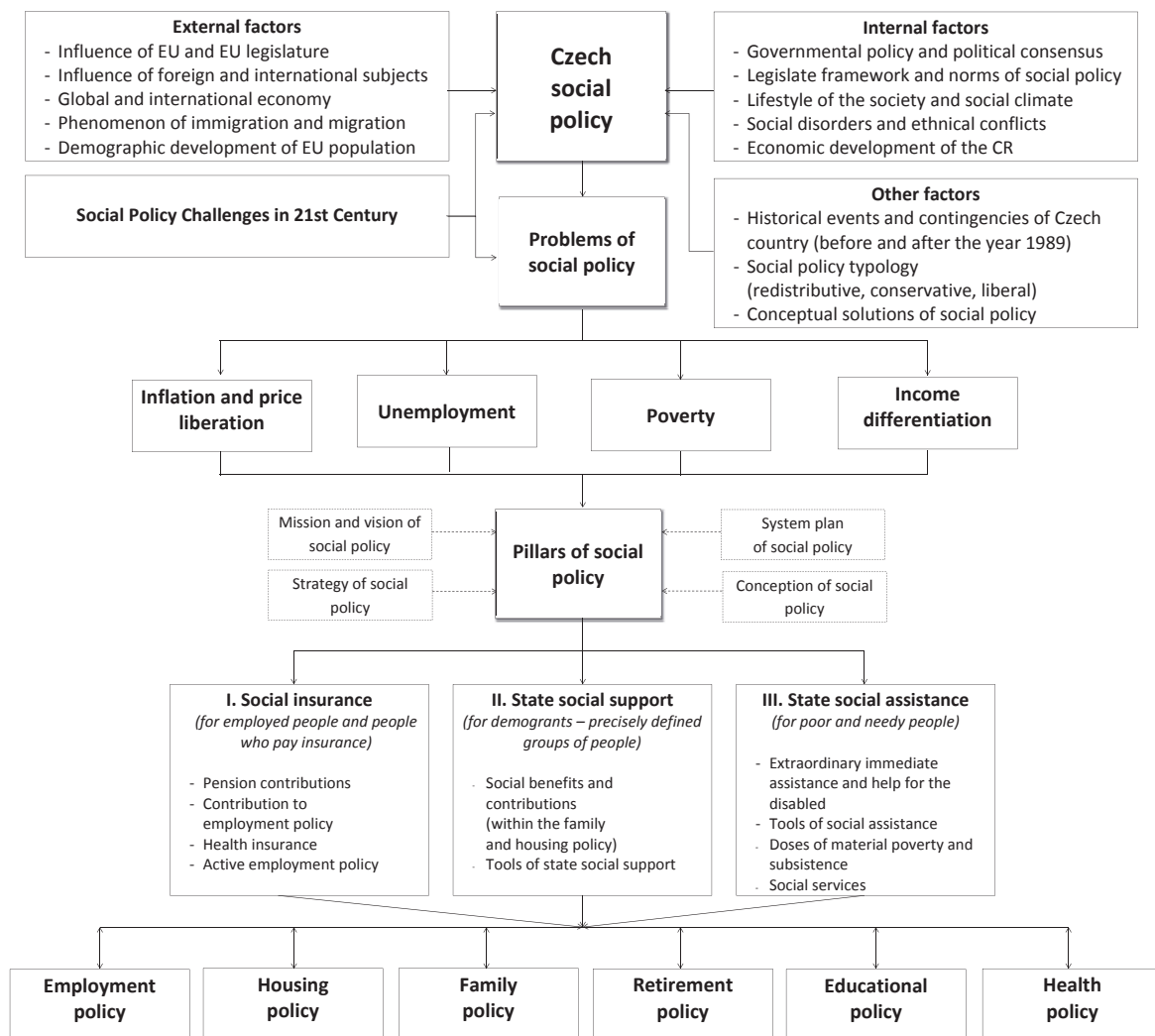
The current Czech social policy model is burdened with the deepening deficit of state budget and total public debt. The high expensiveness of Czech social policy requires the effective solution



that are linked to systemic changes in social policy, but so far such a solution does not exist. For clarity, the current social policy model in the Czech Republic is illustrated in the following model (see Fig. 1). The model shows that the Czech social policy is influenced by external factors and internal factors (mainly domestic political and social factors) that shape its future development. Czech social policy is also influenced by other factors that make it unique compared to other countries – historical events before and after 1989, which impede the clear definition of the Czech social policy typology and the absence of Czech social policy concept. The Fig. 1 shows that the Czech social policy has to take into account the social challenges of the new millennium, such as the changing lifestyle of inhabitants, changing concept of family and work life or responsibility for your life and others.

The starting point of Czech social policy is the long-term problems – unemployment, poverty, inflation and price liberalization and income

differentiation. Based on these problems, three basic pillars of social policy were created – social insurance, state social support and state social assistance. Each of these pillars has a specific system of social benefits and instruments that are described in the following diagram. These pillars of the Czech social policy intervene in the individual areas, which deal with social policy – employment policy, housing policy, family policy, educational policy, health policy, retirement policy. The model also shows the important points, from which the social policy should be based, and which serves as the basis for the formation of the basic pillars of social policy – i.e. mission and vision of social policy, strategy of social policy, system solutions and plan of social policy and conception of social policy. However, experience shows that the Czech social policy does not take into account these mentioned points and therefore lacks a clear conceptual and strategic framework.



1: *The Contemporary Czech Social Policy Model*  
Source: own

### ***Scenario of a Positive Development of Czech Social Policy***

All political parties are aware of the need for systemic solutions for the long-term development of social policy. The clear consensus solutions are created about the conceptual and strategic framework of Czech social policy across the all political parties. These large-scale social policy reforms are supported by favourable economic environment that is characterized by low inflation, full employment, progressive growth of gross domestic product or the optimization of public finances. The government policy puts priority emphasis on all areas of social policy, i.e. employment policy, housing policy, family policy, retirement policy, educational policy and health policy.

In all pillars of the Czech social policy, the government has managed to establish such instruments that streamline all areas of social policy. Active employment policy is maximally effective and minimally abused. The Czech market is not burdened with unnecessary bureaucracy. The development of the business environment is actively supported, thereby the number of workplaces is increasing and the percentage of long-term unemployment is declining. The positive economic development of the Czech Republic increases the confidence of investors and creditors in the Czech market; this manages not to increase the value of public debt and the Czech Republic operates with a balanced state budget. The stable economic growth, efficient and socially equitable system and stability and confidence in public policy minimize the social tension in society, as well as the threat of social unrest and inclination to extremism.

Optimization of the public finances was reflected in streamlining the financing of social policy and the reduction of costs for the whole system. The creation of a clear legislative framework for the Czech social policy allowed making the whole system transparent, and thus managed to minimize the level of abuse of social benefits and other social contributions. The social benefit system is used only for the needy. The transformation of Czech social policy affects the thinking and lifestyle of the society. The society is aware that cannot rely on the state and assume the responsibility and initiative for their own living conditions (e.g. preparation for retirement, active support from family, active financial participation in the various areas of social policy, etc.). The demographic development of the population has not already compromised the stability of the Czech social security system, and the high-quality workforce is motivated to remain and work in the Czech Republic.

The Czech social policy model is clearly defined and delimited, and leaved the concept of the European welfare state. The Czech social policy is an independent on the EU legislation, as well as in other foreign and international entities. The Czech

social policy model does not rely only on the state, but also on the support of other non-state actors and organizations. The long-term strategy of social policy aims to actively support the families, increase the birth-rate, the active participation of its members in the pension system, which does not burden the state budget, as well as the active participation in the financing of educational and health system. The Czech population is partly independent on social system and uses it only in personal crises and threats of social exclusion.

### ***Scenario of a Negative Development of Czech Social Policy***

The Czech Republic is in deep economic and social crisis. It is seen in the collapse of the current system of Czech social policy. The cause of this crisis is the prolonged and excessive burdening the state budget and dysfunctional areas of public policy, especially social policy. The existing social system failed to avert the threat of demographic development of the population. The critically high number of the population in non-productive age is so high that the existing social system is not able to further finance this. Although the greater part of the population in the productive age contributed to the social system, currently it cannot draw the legal claimed pensions. The birth-rate is falling, not only due to a voluntary decision, but also due to the decreasing fertility of the population. The statute of family and family life loses in social meaning and family policy is taken a back seat.

The conceptual long-term solutions in Czech social policy development has absolutely failed, therefore the whole system gradually fell into disrepair due to its excessive abuse or runaway introducing reforms that were again disturbed. The deep governmental crisis is coming with economic and political crisis. The government has absolutely lost its political and social trust; the governmental policy is experiencing chaos. For this reason, the clear direction of Czech social policy cannot be found and cannot avert the impending danger. The legislature of Czech social policy is increasingly cluttering, partial attempts at reforms and changes have made the existing social system absolutely chaotic and thus easily exploitable. Attempts to establish a functioning European welfare state have failed. Czech social policy is absolutely dependent on the legislative framework of the European Union and some other foreign and international entities. It would be expected that the European Union and other foreign and international entities would help the Czech Republic during the crisis; however, they are themselves in a similar situation.

The current social policy is so high cost-consuming that it is not possible to be financed. The government was not able explain that it is not possible to rely only on the paternalistic state, therefore the social system got into the deep crisis. The individual areas of social policy are

collapsing and cannot finance even the basic needs of its people; the state is not able to pay social benefits or pensions. It is not possible to fund even basic health care; active employment policy has failed. The government focuses only on the crisis management, operational issues; there is no space for strategic solutions to social policy. Unemployment is critically high, price stability is threatened, and gross domestic product is falling by several percent a year. Income differentiation is critically deepening and due to high unemployment and the country is facing the frighteningly high level of poverty. The mass outflow of investments and dramatically increasing distrust of creditors was come. The public debt is critically high including the deepening deficit of state budget. Due to the critical situation of rising discontent and distrust of the population over the acceptable limit, the country is facing the numerous of social unrest, conflicts and increasingly frequent demonstrations. The Czech Republic is on the verge of bankruptcy.

#### ***Extrapolative (Realistic) Scenario of Czech Social Development***

The extrapolative scenario assumes that over the years the series of partial social measures were accepted that enable to delay the critical development of Czech social policy. However, these measures failed to reverse the trend of aging population and the losing of economic active workforce. A partial consensus of political parties on the future direction of Czech social policy was found. The newly adopted and in practice applied instruments of social policy are not in the expected level effective and have not the expected impact on the entire social system. The result is weakening the entire national economy, which is reflected by high unemployment, weakening the labour market, reducing the incentives for business and the growing discontent of the population with this system.

The governmental policy is not stable, because the government was weakened by a series of crises that made it impossible to fully focus on system solutions in various areas of social policy. The extrapolative scenario of Czech social policy partly follows the current situation, i.e. situation without change. The growing distrust of the population in the entire social system and the political choices is deepening. These aspects increase the social tension among selected social groups and, increasingly, it is necessary to confront the social and ethnic conflicts, demonstrations and other social unrest. As a result of ineffective social policy measures, the system is excessively abused, causing a lack of motivation to participate in the system, i.e. reduces the moral status of selected social groups.

The whole system of social policy (as a result of ineffective measures and its abusing) is increasingly costly and weakens the stability of public finances. The number of pensioners is critically

increasing and birth-rate is significantly declining. The government is still looking for acceptable solutions in the field of pension policy, but unsuccessfully. A growing numbers of pensioners burden the state budget. Therefore, the economic stability is weakened and the Czech Republic operates with provisional budget. The value of public debt is deeply increasing, the confidence of investors and creditors in the Czech market is reducing; these aspects reflects a further weakening of the economic development. The employment policy is not effective to the expected extent, and the whole system is burdened with the high level of bureaucracy that hinders the development of the business. The housing and family policy follows trends of other European Union countries, nevertheless a number of shortcomings can be in these areas found – the social benefits are abused and are inefficiently spent, efforts to implement strategies towards supporting families and family life development is ineffective.

Over the years, there are other efforts to reform the educational system, because the existing one has deteriorating performance and fails to respond to the needs of the labour market. Therefore, there is a tendency to be inspired by educational system in the neighbouring countries of the EU, but the introduction into practice is more difficult and does not produce the expected results. The current healthcare system is unsustainable – it is expensive and inefficient. The government is looking for new ways for long-term solutions, but without success. This means that there is a problem with the financing the more costly performance and quality of health personnel. High-quality workforce, not only in the medical field, is leaving the Czech Republic. These aspects are reflected in a severe weakening of the entire health system. The Influence of the European Union for the creation of social policy is still increasing, in some areas completely under the European legislative framework. The Czech Republic gradually loses autonomous right to decide the further development of social policy. The entire system is still lacking a clear strategic direction of individual areas of social policy, and so the whole system works of inertia. Without the adoption of radical changes in the social system, the entire system sooner or later inevitably collapses; then the scenario of a negative development of Czech social policy will be followed.

#### ***The Development of Selected Czech Social Policy Indicators***

The following intuitive method of estimating trends predicts the development of the selected social and demographic indicators (factors) in terms of Czech Social Policy and completes the verbal comments of various scenario (mentioned in previous chapter), i.e. development of the state budget and public debt, population and other age groups, total fertility, life expectancy, the number of pensioners etc. The main reason for selecting

those indicators is its biggest impact on the further development of Czech social policy. These indicators are predicted with regard to the various scenarios of the Czech social policy development. The development of selected economic indicators is based on authors' estimates and prognosis and demographic forecasts already created by other authors. The prognosis of selected demographic indicators originates from the results of other experts (demographers).

One of the most significant economic indicators for the social policy development is the state budget, public debt, social expenditures and others. The Czech Republic has a problem with the increasing deficit of state budget since 1997. The record deficit of state budget was reached in the year 2003 and from 2009 to 2012, which exceeded CZK 100 billion. In 2003, the deficit was high due to the progressive social and fiscal policy of the social-democratic governments, in the period 2009–2012 due to the global economic crisis. The lowest budget deficit was recorded in 2008 (in new millennium) due to the economic explosion, i.e. CZK 19.38 billion. For the year 2014, the deficit of the state budget of CZK 112 billion is expected. The development of the national budget to GDP from 2008 to 2013 was 0.5%, 5.8%, 4.7%, 3.2%, 4.2% and 1.5%. According to Potůček *et al.* (2007, p. 192), the aspect of budget balance refers to the financial management of the government; its content and quality reflects the quality of strategic governance. The rule for good strategic governance should apply is the long-term balanced budget.

The public debt of the Czech Republic currently consists of CZK 1.85 trillion, constituting 47.13% to GDP. The present value of gross domestic product is CZK 3.9 trillion. For comparison, the value of GDP in 2000 amounted to CZK 2.55 trillion, in 1990 amounted to CZK 1.45 trillion. The development of public debt to GDP from 2008 to 2013 was 27.1%, 34.21%, 38.37%, 41.41%, 46.15% and 46.04%. In 2013, the expenditures on social and health system totalled over CZK 790 billion (CZK 499 billion on the social security and CZK 291 billion on the health care system), i.e. 68.59% of the total Czech state budget. In 1990, the expenditures on social and health system amounted to over CZK 112 billion, i.e. 68.66% of the total Czech state budget. In subsequent years, the increasing share of social expenditures in the state budget can be expected.

Currently, more than 578,000 people are unemployed and the unemployment rate is currently at 6.5% (April 2014). The highest unemployment rate was recorded in 2000 – more than 10%, the lowest in 2008 (around 5.6%). The average inflation reached 1.4% in 2014. The higher inflation was recorded in 2008, i.e. 6.3%, due to rising world oil and food prices. Higher inflation was recorded between the years 1994 to 1998 (in average 10%). After 2000, the Czech Republic meets with a low rate of inflation (around 2%, except the sporadic fluctuations). The poverty threshold in the Czech Republic is

the amount of 9 683 CZK, which represents around 872,000 persons (i.e. 8.5% of the population in 2013). The current problem of the Czech Republic is the fact that the nominal income is increasing, but the real income is decreasing.

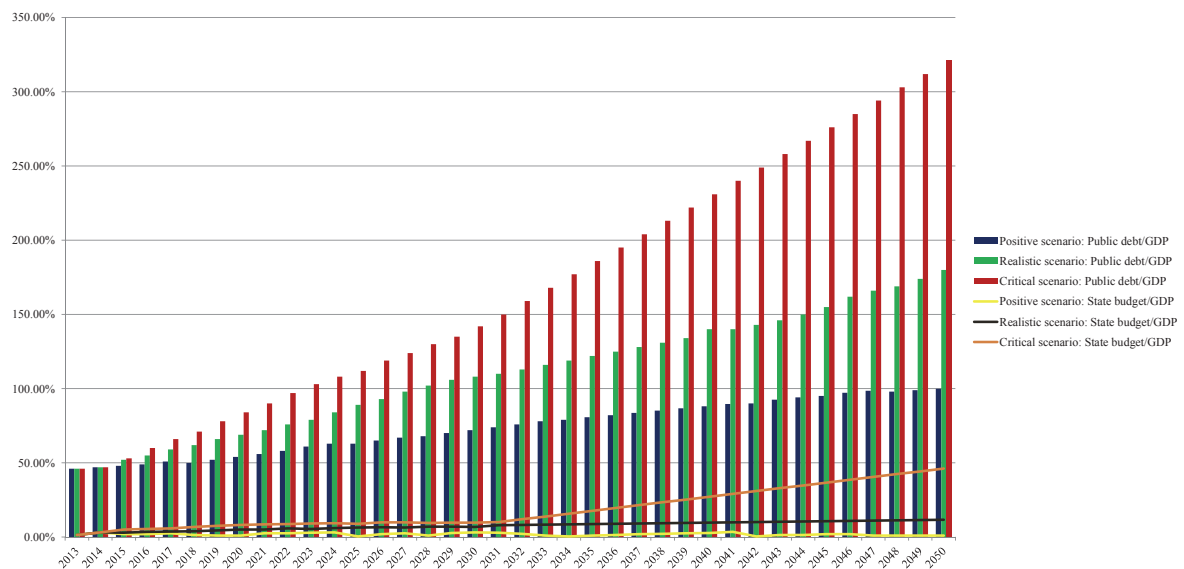
According to the Czech Statistical Office (CSO, 2014), the population has grown from the late 18<sup>th</sup> century more than doubled. The supreme population of the Czech country was in the 30s of the 20<sup>th</sup> century, when this number exceeded 10.8 million. Then, the population fell below 10 million. Since 2000, the population is growing. Currently, the Czech Republic has 10.53 million inhabitants. The number of pensioners is currently 2.36 million. The number of people over 65 years old amounted to 17.4% of the Czech population in 2013, i.e. more than 1.8 million. In 1989, the population over 65 was 1.3 million, i.e. 12.5%. The number of young people under 15 years old amounted to 1.59 million in 2013, i.e. 15%; in 1989, it was 2.25 million (21.7%). In 2013, the population of between 15 to 64 years was 7.1 million (i.e. 67.6%), in comparison with 1989, this number was 6.8 million (i.e. 65.8%).

The average divorce rate was about 20,000 divorces per year in the 70s of the 20<sup>th</sup> century. Since 80s, the number of divorces is increasing. Currently, the average annual number of divorces is around 30,000. This means that more than 50% of all marriages are divorced. In comparison, the number of marriages was around 43,000 in 2013, at least in the history of the Czech country (for example, in 1990 the number of marriages was more than doubled, over 90,000, since the time the number of marriages gradually is decreasing). In 2013, more than 107,000 children was born, compared with 1948, the fertility rate was more the doubled. In 2013, more than 109,000 people died, compared to 1918, mortality rate was more than doubled. The total fertility rate currently represents 1.46 children per woman. In 1920, the total fertility rate was 2.96 children per woman. In 2013, life expectancy was for men 75.2 years, for women 81.1 years, compared with the year 1920 the life expectancy for men was 47 years, for women 49.6 years.

The following graphs show the development of selected indicators in the Czech Republic with regard to each of the scenario of Czech social policy in the period up to 2050 (or 2100).

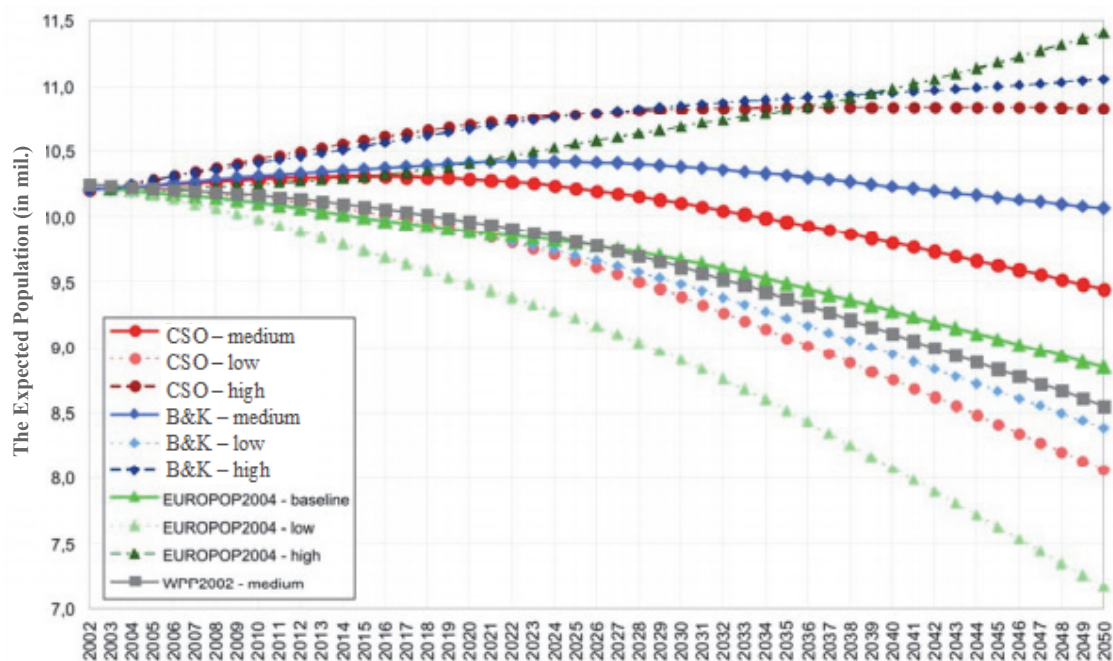
All scenarios of social policy development (see Fig. 2) assume the deficit of Czech state budget in each year. The positive scenario assumes throughout the period that the deficit does not exceed 3% of GDP, realistic scenario predicts an annual deficit about 10–12%, and the critical scenario assumes an annual deficit up to 46%. The public debt to GDP increases in all scenarios. The positive scenario assumes that public debt will not exceed 100% of GDP by 2050, the realistic scenario assumes 180% of GDP and the critical scenario assumes 321% of GDP in 2050.





2: The Development of Stage Budget and Public Debt According to Scenarios (2013–2050)

Source: own



3: The Expected Development of Population in 2050 by Variant of Studied Population Forecasts in the Czech Republic

Source: Šídlo, Tesárková, 2008

The other forecasts relate to the development of the population in the period up to 2050 (see Fig. 3). These forecasts are created for example by Czech Statistical Office, Agency B & K and EUROPOP2004 that compared the Šídlo and Tesárková (2008). According to the forecasts of each studied variant, the Czech Republic could have more than 11 million inhabitants in 2050 (EUROPOP2004, high variant; B & K high variant), but also just a little over 7 million inhabitants (EUROPOP2004, low variant). A difference of more than 4 million inhabitants is relatively large and is based on the cumulative

deviations from previous years (Šídlo, Tesárková, 2008). Forecasts are constructed with respect to the different scenarios – low, medium and high variant.

The much more significant demographic change than the change in the total population becomes the aging of our population. If the Czech Republic has recently belonged to the group of younger European populations (in particular due to the lower average age and share of population of 65 years old), currently the number of seniors is rapidly growing and the overall population is aging rapidly as well. This new trend will continue for at

IV: *The Development of Population and Age Structure*

Year	Population to 31 December (in thousands of persons)			Proportion of 0–19 year olds (v %)			Proportion of 20–64 year olds (v %)			Proportion of 65 year olds and older (v %)		
	low	middle	high	low	middle	high	low	middle	high	low	middle	high
2012*	10 516	10 516	10 516	19.7	19.7	19.7	63.5	63.5	63.5	16.8	16.8	16.8
2015	10 499	10 534	10 569	19.6	19.6	19.6	62.0	62.0	62.0	18.4	18.4	18.4
2020	10 418	10 528	10 634	20.0	19.9	19.9	59.1	59.1	59.2	21.0	20.9	20.9
2025	10 271	10 475	10 663	19.7	19.7	19.6	57.8	57.8	57.8	22.6	22.6	22.5
2030	10 062	10 374	10 654	17.9	18.1	18.1	57.9	57.7	57.7	24.2	24.3	24.2
2035	9 819	10 240	10 617	16.8	17.0	17.1	57.6	57.2	57.1	25.6	25.8	25.8
2040	9 567	10 098	10 571	16.3	16.6	16.8	55.3	54.9	54.7	28.4	28.5	28.5
2045	9 307	9 946	10 514	16.4	16.8	17.0	52.5	52.2	52.1	31.1	31.1	31.0
2050	9 030	9 778	10 442	16.6	17.1	17.3	50.8	50.4	50.4	32.6	32.5	32.3

\*real data

Source: Fiala, Langhamrová, 2013

V: *The Expected Scenarios of Demographic Development*

Characteristics	Variant	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100
Life expectancy for men	all	74.40	76.90	79.40	81.40	83.40	84.4	85.40	86.40	87.40	88.40
Life expectancy for women	all	80.60	82.85	85.10	86.75	88.40	89.40	90.40	91.40	92.40	93.40
Total fertility	minimum	1.492	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400
	medium	1.492	1.600	1.600	1.650	1.700	1.700	1.700	1.700	1.700	1.700
	maximum	1.492	1.700	1.800	1.900	2.000	2.000	2.000	2.000	2.000	2.000
Annual migration growth	minimum	15 648	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000
	medium	15 648	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000
	maximum	15 648	40 000	40 000	40 000	40 000	40 000	40 000	40 000	40 000	40 000

Source: Fiala, Miskolczi, 2011

VI: *The Number of People in Productive Age to One Person of Retirement Age*

Variant	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100
Minimum	2.66	2.39	2.43	2.24	1.84	1.72	1.95	2.12	2.08	2.16
Medium	2.66	2.43	2.52	2.40	2.07	2.02	2.35	2.66	2.74	2.86
Maximum	2.66	2.46	2.60	2.54	2.26	2.26	2.66	3.07	3.26	3.46

Source: Fiala, Miskolczi, 2011

VII: *The Number of Employed People to One Person of Retirement Age*

Variant	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100
Minimum	2.06	1.90	1.87	1.72	1.51	1.43	1.54	1.64	1.61	1.64
Medium	2.06	1.94	1.96	1.86	1.70	1.66	1.83	2.02	2.06	2.11
Maximum	2.06	1.96	2.03	1.98	1.85	1.86	2.09	2.34	2.46	2.56

Source: Fiala, Miskolczi, 2011

least another 50 years until a few large generation born in the 90s of the last century will start entering the elderly generation. The determining factor in the expected development is uneven age structure of the population and the survival of increasingly greater percentage of people from each generation to the elderly as a result of sustained declining mortality (Burcin, Kučera, Šídlo, 2007).

The following Tab. IV shows the scenarios of the development of population and age structure

in the horizon 2012–2050 – positive (maximum), realistic (medium) and negative (minimum) scenario by (Fiala, Langhamrová, 2013).

The following Tab. V shows the development of life expectancy for men and women, total fertility rate and the annual migration growth with respect to the different scenarios in the horizon 2010–2100 – positive (maximum), realistic (medium), negative (minimum) – according to the opinion of the selected experts (Fiala, Miskolczi, 2011).

Fiala, Miskolczi (2011) also predict the development of the number of people in productive age to one person of retirement age and the number of employed persons to one person of retirement age (see Tabs. VI and VII) with respect to each scenario – positive (maximum), realistic (medium), negative (minimum) – again in the horizon 2010–2100.

### **The Decision-making process and Evaluation of Scenarios Probability**

The following chapter is dealing with the method of scoring of the decision-making process that evaluates the probability of each scenario realization in the period up to 2050. The procedure is following (for its calculation see Tab. VIII):

1. The determining of the basic criterions (factors) that influence the of Czech social policy development, with respect to each scenario (positive, negative, realistic) – already verbally evaluated in Tab. II.
2. The determining the weights in order – we determine the order of the individual criterions (factors) according to their degree of importance (from 1 to 12 according to the number of factors) and divide the obtained number is divided by the sum of all calculated orders.
3. The process of scoring all factors identified in various scenarios of Czech social policy development evaluation in scale from 1 to 15, according to their degree of severity (1 – the least serious problem, 15 – the most serious problem).
4. The overall assessment of the various factors influencing the Czech social policy development with regard to the scenarios that is determined by the product of the weights of the criterions and the scoring evaluation of the various scenarios.
5. The determining the degree of probability of implementation of each scenario – the sum of scores of all factors in individual scenarios and determining the percentage probability of implementation of each scenario (the proportion of the sum of score and the maximum score (15) for each scenario).

The expression of probability of an event in the predictions is considered as a basic predictive output (Zelinka, 2010). For the purpose of this paper, the subjective interpretation for understanding and evaluation of probability is used. The subjective assessment of the probability interpretation is entirely subjective power of the analyst, so it is possible to reach more conclusions based on the same facts (Rosenberg in Zelinka, 2010). It is obvious that the evaluation of various scenarios of social policy development is burdened with a considerable degree of authors' subjectivity, especially when scoring the individual factors. However, this evaluation has some explicitness. The aim of this process is to quantify the verbal evaluation of each scenario and by using the selected decision-making methods to express the percentage probability of their realization.

### **THE RESULTS OF THE RESEARCH AND DISCUSSION**

The method of scoring of probabilities of individual scenarios shows that the most probable scenario, which can run in 2050, is the scenario of a negative development (critical scenario) with the highest score (13.7). The degree of probability of critical scenario is 91.3%. This score is due to a highly problematic areas with the highest (negative) assessment – i.e. unsolved problem with demographic trends, deepening economic crisis and economic depression, the absence of conceptual and legislative framework of Czech social policy, crisis of governmental policy and Czech political scene or critically growing deficit of state budget and public debt. The critical scenario of Czech social policy is real in case of not implementing the effective system solutions in individual areas of social policy. The critical scenario supposes the social disorders, the threat of the preservation of democratic system due to increasing popularity of extremist parties, the loss of basic social values, the threat of collapse of the whole social system or the threat of bankruptcy due to the destabilization of public finances.

The second most probable option is the extrapolative (realistic) scenario with a score of 10.34. The degree of probability of the extrapolative scenario of Czech social policy is 68.9%. The explorative scenario is likely in case of adopting and implementing the certain partial measures that can help to delay the possible collapse of the entire social system. The conceptual and strategic solution of Czech social policy is still missing. The biggest challenge within the extrapolative scenario is the growing dissatisfaction of the Czech society and a threat of the instability of the system. The problem of demographic trends within the social policy is still not resolved. In the case of extrapolation scenario, the social policy model works only of inertia. Czech social policy is burdened by economic stagnation and the impossibility of its further development; unemployment is still high. Under this scenario, Czech social policy faces the growing influence of the European Union and other international institutions.

The least likely option for the Czech social policy is the scenario a positive development (optimistic scenario) with the lowest score of 5.8. The degree of probability of realizing positive development scenario is 38.7%. The method of scoring shows a significant point difference between critical and optimistic scenario of Czech social policy development. The scenario of a positive development implies a positive economic development, full employment, low inflation, low risk of social unrest and a clear direction of government policy, which determines the a clear concept and long-term strategy of Czech social policy. The problem of increasing deficit of state budget and total public debt of the Czech Republic

VIII: The Decision-making Process and Probability of Czech Social Policy Scenarios

Factors (criteria)	Auxiliary calculations		No change – the current state of Czech social policy		Scenario of a positive development (optimistic scenario)		Scenario of a negative development (critical scenario)		Extrapolative scenario (realistic scenario)	
	Order	Weights	Points	Σ	Points	Σ	Points	Σ	Points	Σ
Influence of European Union	2	0.03	4	0.12	2	0.06	8	0.24	6	0.18
Influence of other foreign and international subjects	1	0.01	2	0.02	2	0.02	8	0.08	4	0.04
Governmental policy	11	0.14	10	1.4	8	1.12	15	2.1	10	1.4
State budget	8	0.10	12	1.2	10	1.0	15	1.5	12	1.2
Demographic development of the population	9	0.12	10	1.2	8	0.96	15	1.8	12	1.44
Social unrest and ethical conflicts	7	0.09	8	0.72	5	0.45	12	1.08	10	0.9
Migration	6	0.08	7	0.56	5	0.4	10	0.8	8	0.64
Economic development of the state (CR)	10	0.13	10	1.3	4	0.52	15	1.95	12	1.56
Unemployment	5	0.06	10	0.6	5	0.3	15	0.9	12	0.72
Inflation and price liberation	4	0.05	5	0.25	2	0.1	12	0.6	8	0.4
Income differentiation	3	0.04	8	0.32	3	0.12	10	0.4	9	0.36
Conception and strategy of Czech social policy	12	0.15	12	1.8	5	0.75	15	2.25	10	1.5
Summary evaluation	78	1	126	9.49	126	5.8	126	13.7	126	10.34
Scenario probability	x	x	x	x	5.8/15	38.7%	13.7/15	91.3%	10.3/15	68.9%

Source: own



has been solved. The measures and the new instruments of social policy prevent the negative demographic trends of population.

Brychtová (2013) declares the accompanying phenomena driving the current and societal events that influence the further development of social policy: the loss of certainties, thinning of middle class, societal frustration, social tension, the surge of extremism, critically increasing unemployment, wage labour, fear of the future or fear of aging. Ben-Arieh (2014) also discusses about the need for change in social policy and refers to the active involvement of the entire social system, e.g. the systematic education since childhood, i.e. increasing financial literacy, increasing the social

and moral status, responsibility and initiative for his/her own life. Zrinščak (2014) declares the impending change that will affect the current lifestyle and behaviour of the whole society. Social policy should be prepared for those changes. These facts can in the long run delay the impending doom of the European social system. Copeland and Daly (2014) predict the dramatically increasing poverty and crisis of the whole European social policy by the year 2020. According to the selected authors, critical scenario of social policy can be fulfilled much earlier. According to Sulston (2012), the society holds its future in their hands. Sulston says that nothing is predetermined, nothing happens outside the humanity.

## CONCLUSION

The current Czech social policy is influenced by many external and internal factors, which forces its actors to the gradual transformation and systemic change. The biggest challenge of Czech and European social policy is the aging of the population and decrease of the economically active population. This indicates that the current European social policy model is unsustainable and requires a conceptual solution. The problem is so complicated that it has so far failed to find such a model of social policy that would reflect the needs of a changing society. This aspect can anticipate the further development of social policy. Therefore, three scenarios were developed for the further development of Czech social policy based on the current state.

The demographic trends of population and other social aspects raise the question how to maintain the existing social system without raising taxes and increasing the cost of the whole system. Preece (2008) talks about the European welfare state concept (and the Czech social policy tends to this concept). It is difficult to define this concept and practice shows that the concept of the European welfare state is unsustainable in the long run. Feldmann (2002) speculates on the fulfilment of the basic social objectives of the European Union, which is to maintain a dynamic environment focused on innovation and supporting the business community, which respects the balance between work and personal life, and recognizes the need for security of the rapidly changing society. These objectives point to the fact that Europe is not focused on the right direction and the biggest problems.

The opinions of leading economists on the future of social system are ranging from the bleak pessimism, which predicts that the welfare state, after the moderate optimism, which assumes that the foundations of the welfare state can be maintained by the connection of smallish privileges and limitations of a small tax increase (Laqueur, 2006, p. 160). There is a question how to actually reduce the welfare state. It will not be possible to solve it by even existing methods (e.g., as in the Czech Republic by the reforms of the pension system or the school or health care reforms, which are only cosmetic changes that do not lead to the complex solutions) (Fiala, 2010, p. 128).

The method of scenarios forecasts the inclination to the scenario of a negative development, with more than ninety percent of probability. This scenario expects the collapse of the entire system, social disorders and the threat of state bankruptcy. This scenario can be predicted to other European countries. The scenario of a positive development is the least likely, because the current state of social policy suggests that it cannot be found the satisfactory solution in long-term run. The society is unable to dissociate itself from the social dependence of the state and the government cannot explain that without radical and painful solutions is not possible to keep the existing system. These results of the possible scenarios of Czech social policy development can be used for its own creators and actors in their future decisions. Sulston (2012) adds: "If we take into account the warnings and recommendations in the report, we can move the world over the next 30–40 years towards a sustainable economy and ensure a better life in the majority of the population. If we do not, we will most likely face a disaster of unprecedented proportions."

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