

## Country report: Czech Republic

### ***Some ideas about the path dependency and new political culture as a dependent variable in the ageing problem***

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According to the UN statistics, the Czech Republic is going to be at the top positions of the „most aged countries list“. However it is quite clear that the winner of this contest is not going to be the one with the oldest population, but the country that will – by the appropriate social, economic and information policies – create such an environment, in which the quality of life will not diverge according to the chronological age.

Czech Republic has quite an irregular age structure. Three overhangs misshape the ideal pyramid. The first population boom was a compensatory natality wave with a peak in the year 1921. The second wave started already by the years 1940 – 1944 and reached the height with the post-war cohorts born up to 1947. Hitherto the last overhang is made of the descents of this second baby boom cohort born 1970 – 1975-7. Their number was supported by pro-natalist policies of the communist authority of the President Gustav Husák (here comes the attribute the Husák's children). Because of the trends in the frame of second demographical transition and postponed births we cannot witness historical consequence of fourth multiplication of the population boom. Population projections draw the future of the Czech as an ageing nation, where more than 12% of the youngsters up to fifteen years and 24% older than 65 years are squeezing the “sandwich generation” in their productive age. And all this with the prolongation of the mean age by more than ten years and with the total decreasing population from recent 10,3 millions to 9,7 millions by the year 2030.<sup>1</sup>

What are the reactions of the Czech population to such a development? From our surveys we know that public opinion is rather sceptic in spite of the fact, or maybe because of the fact, that the information about the content and extension of the “Czech population ageing” concept is missing.

In the mid nineties was this “problem” identified not only as a pessimistic demographical fact, but also as a part of first deeper revision of the pension system. This debate lasts with changing intensity till nowadays and while the pension issue has become strong political and economic argument, seems like it disappeared as an issue per se. Complete and comprehensive pension reform was not still implemented. Last gesture emerged as a part of the public finances reforms with the suggestions for continued rising of the statutory retirement age (63 years for men and childless women and 59 – 62 years for women according to the number of children by the year 2013) and for some other changes (for ex. further limitations of early retirement, starting by the end of the year 2006). However, even the label of these reforms supports the notion that funds assigned as a resource for the pension benefits are “public” – belonging to everybody and leaves out the fact that these resources were designed as a specific form of credit given to PAYGo system, now legitimately expected to be paid back to the investors. It is not so long ago when the pension fund supplies were part of the state budget and its momentary positive balance was used to cover transitional budget deficit. Even now when the pension account is virtually set apart of the budget, any solid control of personal assessments of the contributors is missing. It seems that deeper changes should be made, not only with regards to the formal regulations, but in the overall approach towards the pension system and benefits.

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<sup>1</sup> CZSO Projection up to the year 2030, middle variant with the migration.

The pension benefit is the only one income for the 70% of the Czechs older than sixty. Mainly the older cohorts of the elderly lived through their productive life in the regime which structurally and legislatively inhibited accumulation of any private property. The possibility to assure ground for alternative incomes (from savings, from real estates etc.) was for these cohorts restricted. The most frequent way of income multiplication for today's pensioners remains the occupational earnings or earnings from small private enterprise. Parallel earning and pension benefit is much more common strategy than delayed retirements even when in the first case the additional salary is limited by the retirement legislation.<sup>2</sup> As may be expected, paid work after retirement is more frequent for men, residents of bigger cities and people with higher education. It has longer tradition in Czech, since even in the times of communist regime - the time of zero unemployment and artificially created jobs - possibilities for retired person were greater and widely practised. In-between the years 1989 and 1992 the number of economically active retired persons decreased about two thirds and has not changed a lot since then. It should be said, that this trend helped to keep overall unemployment rates low through the first half of the nineties.

When we take a closer look to some of the social and economical effects of retirement in the Czech Republic we will find out that the transition from paid work to the retirement is more discriminative towards the highly educated and towards the persons with higher wages – which are on one hand closely related characteristics, but on the other hand we have to stress some its specifics within the Czech environment.

Czech socialism produced wage system with one of the lowest differentiation in Europe and in the World. This system adjusted rewards for the manual and for the intellectual labour. Higher wages were dependent on the level of loyalty towards the regime, not so on the work achievements. After the 1989 revolution the correlation between the level of education and earned salary is becoming much stronger in the positive way (mainly in the state sector where the chronological age – length of the praxis is taken into account as well), but the algorithm for the pension benefit still has a little connection with the previous assessment. Current system is continuously supporting the nivelisation of the pension benefits and, as Rabušic has shown in his model (Vidovicova, Rabusic 2003), replacement for those, whose wage is three quarters of the mean wage is 57%, but for those with their last salary before retirement three times higher than is the mean wage, the replacement rate is only 22%. This situation is building differences not only between people with different wages and between old-pensioners and young (new)-pensioners, but also for the people with higher education. Those also report that they had to retire from different reasons earlier then they wished or planed and also are less subjectively satisfied with the life in the retirement as a whole. Lower satisfaction is also more common for men, even when women are much more (economically) disadvantaged on the labour market (secondary labour market, lower rewards for the same work etc.) as well as latter on in the retirement. The importance of this issue is underlined by the fact, that women represent (historically) nearly half of the labour force (women represented 49% of the total number of employed in the 70's, and now it is still around 44%).

Facts presented in previous paragraph may demonstrate that even in the transitional countries is the economical security only partial feature of the well being in advance age. Current discourse of the ageing as an economic problem may close some promising ways how to find social-friendly solutions for transitional populations ageing.

On the other hand, economic part of well being can not be putted aside. Even when research shows that objectively there is quite low, even marginal, prevalence of the poverty between the Czech elderly people, the subjective measures are continuously high. This subjective feeling of poverty is going across the group with various socio-demographic characteristics and in the last survey is covering more than one quarter of respondents, contrary to only 4% who perceive their households as wealthy. This signal may be

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<sup>2</sup> There is a proposal in the part of public finances reforms to remove this limitation, which says that for first two years of the retirement one is not allowed to earn more than sum of two defined life minimums per month.

interpreted as dissatisfaction with once life-style, since the subjective poverty is representing sum of the influences from the side of individual incomes as well as expenditures.

However, results of some recent surveys show, that Czech elderly do not report any serious problems in the wide range of fields covered. Even when empirical studies have some methodological limitations and it is tricky to give some characteristics of the Czech elderly as a group, we may say that elderly may be in a risk of social exclusion, but not as the only group or as the most vulnerable. Problems as extreme poverty, unemployment in higher age, extensive risk of health complications or abuse are very serious but have relatively low statistical frequency. Which – of course and once again does not make them disappear. One of the confessed problems is subjective feeling of loneliness which is sometimes experiencing 45% Czechs at the age 60 and older. The sources of such feelings are not clear while we know from other surveys that social interactions within the families are still quite frequent and space mobility is very low. Only 20% of respondents participating in this research are living in greater distance from their families (other 30% is living in the same house and nearly 50% in the same city or near by). This trend is becoming even more worrying since the divorce rate is increasing steeply as well as the number of households with only one parent and childless partnerships; these trends are increasing the risk of loneliness in higher age in the future development.

The communist regime left his traces on the economical and social and political state of the country, as well as on state of mind of the people in some respects. The way the structural ageing of the population is treated can tell as a lot about the path which the Czechs have undergone with the ambition to heal up the whole society.

The ageing phenomenon in Czech Republic is covered by the aggregate document „National Programme of Preparation for Ageing for 2003 – 2007 of the Czech Republic. Programme was prepared by wide range of experts and was approved by the Government in May 2002. Document covers all three generations in concern and it's individual goals are formulated within the following framework: Principles of ethics; Natural social environment; Work; Material welfare; Healthy lifestyle, quality of life; Health care; Comprehensive social services; Social activities; Education and Housing. First evaluation is expected to take place in the year 2005. So far, there are little or no signs of actions taken. In our research of institutional coverage of the ageing policy we have found out, that Czech has a sufficient number of state institutions and organisations dealing with the topic, but they have reserves in the implementation of the existing ideas. NGO's, on the other hand, are very helpful, but not widely spread all over the country and are dependent on the state and/or foreign financial support.

If the question at the beginning of this paper was: Who will be “the winner” of this world contest? We may answer: Czech Republic has quite good starting position and has already developed quite good means how to deal with the things which may come. I personally do not support the notion of the demographical panic and I do agree with some of our colleagues that society is changing every day and make prognosis up to the year 2050 is too futuristic. Plus this, if the elderly of the year 2030 are already born, children and young work force is not, and again a lot of can be changed by than. And finally – the range of “ageing countries” is so wide that the situation which is (probably) expecting us in this nearly thirty or even fifty years may be already the past tens for some of ours neighbours. In front of us is now standing the goal how to come to the “winning solution” for population ageing as close as possible. And learning from the others seems to be the best way. We will be glad to hear your experience and comments and we will hope there is going to be enough of good political will to implement them.

**References:**

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Some useful sources of information (in English) about the ageing in Czech Republic can be found at:

Research Institute for Labour and Social Affairs (VÚPSV): <[www.rilsa.cz](http://www.rilsa.cz)>

Czech Statistical Office: <[www.czso.cz](http://www.czso.cz)>

Ministry of Labour and Social Affairs: <[www.mpsv.cz](http://www.mpsv.cz)>

Czech Government: <[www.vlada.cz](http://www.vlada.cz)> links to all ministries

Czech Alzheimer's Society: <[www.gerontologie.cz](http://www.gerontologie.cz)>

*Source: Hoff, A. (2003) Autumn Newsletter 2003 of the Research Committee (RC11) on the Sociology of Aging of the International Sociological Association (ISA). Berlin: German Centre of Gerontology, pp. 7-10.*