



A view of Prague

# Some Measures to Develop the Labor Export Market in Czech Republic

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## 1. An outline of Czech Republic

Czech Republic is one of two countries having independence from Czech and Slovakia Federal Republic after Jan. 1, 1993, locating in the center of Europe, having an area of 78,864 km<sup>2</sup> and a population of 10.5 million people (Czech: 81.3%, Moravi: 13.2% and Slovakia: 3%...). The workforce is over 51% of the population being equivalent to 5.35 million people and the unemployment rate is over 6.5%. Czech Republic is one of the countries having the lowest unemployment rate in Europe.

For the past years, especially after Czech Republic has joined the EU, with appropriate measures to develop the economy, and attract foreign capital, human resource and technologies, the Czech economy has been growing steadily and has been able to gain some achievements.

The average annual GDP growth rate for the last 10 years ranges between 3.5% to 4% and exceeded 6% in 2006, the industrial sector has increased by 11.8% and the per capita income has reached over US\$24,000 per year.

The economic, scientific and technical cooperation with EU countries have been more and more developing and expanding. On the basis of existing industries, the location in the centre of Europe and completed infrastructure, Czech Republic has been intensively and extensively improving the

equipment and technologies, attracting more foreign investment especially in main industries like machine building, production of means of transport, medical equipment, electronic goods, glass, beers, and petrochemicals, therefore Czech Republic is able to attract a major part of working population to its industries and substantially reduce the unemployment to become one of the fastest growing economies in Europe.

## 2. Vietnamese laborers in Czech Republic

Vietnam began exporting labor to Czech Republic from the early 1980s under a labor cooperation program between the two countries. After 10 years Vietnam sent over 60,000 Vietnamese workers to Czech Republic for training and working. From 1990 when the socialist bloc in Eastern Europe collapsed, Czech Republic stopped receiving Vietnamese labor under the labor cooperation program between the two countries in 1980 and has since recently started importing Vietnamese labor under the market mechanism. Since 2006, there have not been so many Vietnamese employees going to Czech Republic to work; approximately some tens of them per year. However, due to a severe shortage of labor, Czech enterprises have started importing labor including Vietnamese one.

At present, there are more than 51,000 Vietnamese people legally residing in Czech

Republic and more than 32,000 of them have received permanent residence permits. Some 6,500 Vietnamese are working in Czech enterprises and 1,000 of them have gone to Czech Republic for the last two years. The remaining are those who reside in Czech Republic. It's worth noting that by the end of 2005 there were only 200 Vietnamese employees and this figure increased by 32 times over the last two years.

Vietnamese employees in Czech Republic mainly work in factories assembling electronic goods, garment, engineering, production of means of transport (e.g. automobiles, locomotives, etc.) and construction. The average income ranges from US\$600 to 800 per months for manual work; from US\$900 to 1,000 for work requiring skills; and from US\$2,000 to 3,000 for experts. The net income after expenditure ranges from US\$400 to 700.

Vietnamese employees are highly regarded by Czech employers for their intelligence, quick learning and being handy. However, due to poor health and language skills, lack of professionalism (especially in the first year after their arrival), poor awareness of the labor relationship and law-abiding sense, Vietnam have not been able to export much labor to Czech Republic. In addition, there are too many enterprises exporting labor to Czech Republic (approximately 50), the administrative procedures are complicated, the deposit is too high (currently approximately from US\$7,000 to 8,500) not including fee for running-away prevention, which altogether hinder the labor export to Czech Republic. With better preparations, Vietnam can export from 30,000 to 40,000 laborers to Czech Republic every year.

### **3. Opportunities for Vietnamese laborer in Czech Republic**

In the coming years, Czech Republic will become an attractive market for Vietnamese labor and there will be more opportunities for Vietnamese laborers to be exported to Czech Republic for the following reasons:

Firstly, the economy of Czech Republic has kept growing. The Czech government adopts many policies appropriate to current changes in the world and its economic policies focus on industries, services and construction where a lot of new jobs will be created. According to the Czech government data,

there are some 200,000 vacancies every year.

Secondly, the Vietnamese Guest Workers Law was passed by the National Assembly on Nov. 29, 2006 and came into effect as of July 1, 2007. This law together with other guidelines issued by different ministries will work as a legal basis for the export of Vietnamese labor in generally and labor export to Czech Republic in particular, which will create more trust for foreign employers importing Vietnamese labor.

Thirdly, Czech Republic is importing labor from EU countries and others. Because the income in Czech Republic is low compared to other EU countries and the Schengen Treaty became effective in Czech Republic by the end of 2007, which has created an opportunity for Czech labors to work in other EU countries, foreign laborers will have more employment opportunities in Czech Republic. In addition, as Czech employers have experience of employing Vietnamese laborers and Vietnamese population in Czech are highly graded by Czech government and society; we have more opportunities to export Vietnamese labor to Czech Republic.

Fourthly, Vietnamese enterprises have 18 years of experience and expertise in exporting labor. In the meantime, there are changes in the Czech mechanisms and policies managing foreign laborers (for example, the permission for establishment of outsourcing companies, labor brokerage companies, the association of Vietnamese labor importing companies; simplification of administrative procedures, particularly on visa issuance; introduction of consistent procedures and fees; and improvements in ways of employing guest workers, etc., which altogether create more opportunities for foreign employees including Vietnamese ones.

Fifthly, there are currently a number of problems in other labor importing markets while the demand for jobs at home is on the increase. This means that the Vietnamese Government must pay more attention to the labor market of Czech Republic. More enterprises will enter this business, which allows Vietnamese laborers to have more opportunities to work in Czech Republic.

### **4. Some measures to develop the labor export market of Czech Republic**

To promote the labor export to the Czech market Vietnam has to carry out the following measures in

the coming years:

Firstly, Vietnam should discuss and agree with the Czech partners on the entry into of a treaty of exporting Vietnamese laborers to Czech Republic. In the near future, the parties may need to enter into an MOU which serves as a legal basis for the sustainable development of this market. Moreover, Vietnam and Czech Republic have to set up a proper labor reception and management mechanism to meet the labor demand and supply for this market, and establish labor support centers in both countries which serve as a agencies for recruiting, language training, career development and legal support for Vietnamese laborers in Czech Republic.

Secondly, such tasks as recruitment, training, language teaching and career development for laborers with priority given to quality in order to promote and develop this market should be carried out properly. In the recruitment process, there must be close co-ordination between career centers, enterprises, local governments and labor broker companies. It is necessary to carefully review the CV of the laborers in the recruitment process and reject any laborers who look for only funs and are not qualified for the job overseas. It is also necessary to review and revise the training documents for language skills and career development and to include training in traffic rules, personal protection, local customs, and basic information on Czech Republic. Encouragement and support will be given to the enterprises that provide job training for the laborers before they go abroad. Periodical health checks must be performed to reduce the cases where the laborers are early terminated or die of bad health.

Thirdly, the Vietnamese Guest Workers Law as a legal infrastructure must be implemented properly to promote the export of Vietnamese laborers and more effective control over Vietnamese guest workers, and to make the labor export operations more transparent and clean. The labor market of Czech Republic must be considered as a high-quality one that serves as a main and important gate to the EU labor market. The run-away prevention measures must be strongly implemented right at the beginning, such as deposit, guarantee, and serious actions including criminal proceedings against laborers who run away while working in Czech Republic.

Fourthly, careful studies must be made regarding

labor orders, working and living conditions, salary scales, social securities and labor treatment. Encouragement could be given to enterprises looking for big orders for highly skilled labor with high salary in order to reduce uncertainties for the laborers. The trend to export unskilled labor to this market should be gradually reduced and terminated.

Labor brokerage enterprises, before entering export contracts, should make studies of the demand for labor by Czech companies, working and living conditions, skills required, social security (8% of monthly wage), medical care (4.5% of the monthly wage), taxes (12% of net income if it is lower than 10,100 koruna a month), allowances, and Czech employer's permit to import labor outside the EU, etc. in order to protect legitimate interests of Vietnamese workers.

Fifthly, the personnel and facilities of the Vietnamese labor management board in Czech Republic must be improved. Enterprises should send their representatives to Czech Republic to cooperate in settling contingent issues related to the laborers and protect their interests while working in Czech Republic. The team management method should be applied: each team may have from 15 to 20 members led by a team leader who is a laborer and manages the team. The team leader may be entitled to a management allowance. Vietnamese residing in Czech Republic may be used to work as a bridge between Czech enterprises and the laborers because they have lived in Czech Republic for a long time so that they know the laws, language, cultures and traditions of the country.

Sixthly, fees paid by the laborers before they go and work abroad should be reviewed because these fees are currently very high. It is necessary to remove all the unreasonable fees. Enterprises are encouraged to directly enter into the agreements with Czech employers to reduce the brokerage fees, or they could collect such fees after the laborers go to Czech Republic. The banks also need to review credit line for the laborers, to supply loans more quickly and reduce the interest rates to decrease pressure on the laborers.

Seventhly, labor exporting enterprises must have strategies to use the laborers after they return home by working with domestic enterprises and have policies on the laborers who are early terminated for objective reasons so that they can quickly start a new life. ■