

## OECD ECONOMIC SURVEY OF THE CZECH REPUBLIC 2004

### Excerpt from Chapter 6, Immigration Policy: addressing the needs of an ageing Labour Force

#### IMMIGRATION POLICY

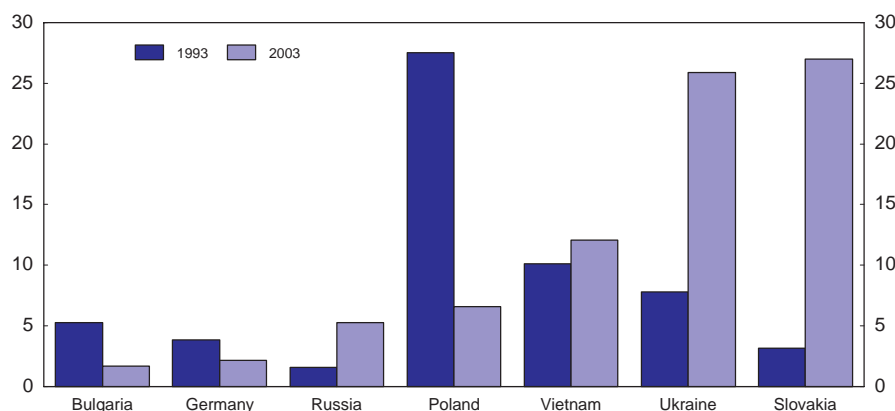
##### Immigration policy: still in the making

##### *A relatively restrictive visa policy with some inconsistency*

1. The Czech Republic traditionally being an emigration country, migration policy has been rather passive and *ad hoc* until the end of the 1990s. Recently, the prospect of EU accession and the increasing number of immigrants, including undocumented ones, has led to a more active stance on migration control and some more pro-active measures.

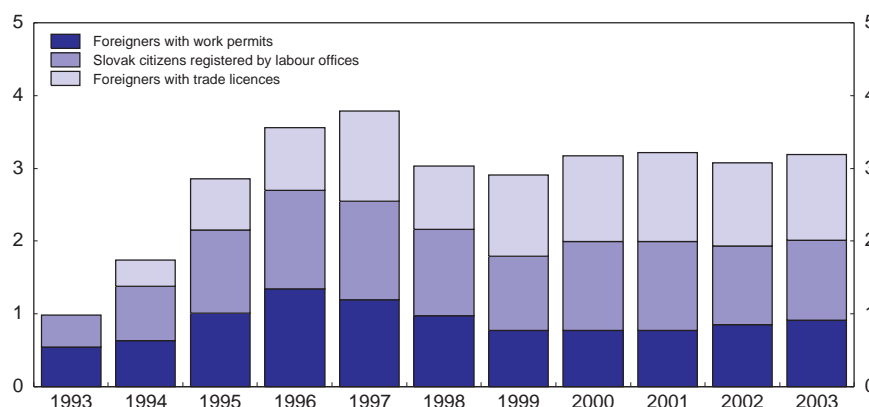
2. Immigration policy was quite liberal until 1996; between 1993 and 1996 residence permits increased four-fold and work permits more than doubled. However, weakening economic conditions, including rising unemployment, in the second half of the 1990s led to a significant tightening in the granting of work permits, and a deceleration in the growth of residence permits after 1996 (**Figures 6.3 and 6.5**). Subsequently, to address concerns about rising illegal immigration and align legislation with the *acquis communautaire*, a new Immigration Act came into force in 2000 (**Box 6.3**). The Act has tightened eligibility conditions for residence permits, and resulted in a fall in the number of resident-permit holders in 2000. Since 2001 permit numbers have started to grow again, but at a much slower pace than in the early 1990s. In 2003, the number of foreigners with work permits and Slovak citizens registered by labour offices was still 25 per cent lower than in 1996.

**Figure 6.3. Main countries of origin of foreign residents**  
 Percentage of total foreign population in a given year



Source: Ministry of Interior.

Figure 6.5. **Foreigners working in the Czech Republic by type of permit**  
Per cent labour force



Source: Czech government authorities.

3. There are bilateral agreements on employment with a number of former communist countries, notably the Ukraine, Russia, Poland, and Vietnam, but they have not been very influential. The agreements are mostly simply setting administrative procedures for employment. The yearly quotas on workers from Ukraine and Vietnam, have generally not been binding, and when that on Ukrainian worker was exceeded in 1997, it was quickly adjusted upwards (Meduna, 2003). Indeed, the termination of the Ukraine agreement in February 2002 seems to have had no influence on labour flows. The authorities are currently considering to negotiate different types of agreements. Their aim would be to facilitate access to information on staying and being employed in the Czech Republic to potential migrants abroad, so as to reduce the probability of abuse by groups organising illegal migration and also to reduce incentives to use illegal methods of immigration. This also forms part of the action plan against illegal immigration and would be tied to the signing of re-admission agreements.

4. All in all, immigration policy is tilted towards short-term immigration. First, in contrast with many other OECD countries, a long-term residence permit does not exist.<sup>1</sup> Also, temporary residence permits can be terminated relatively easily given the very strict definition of a work permit, and there is no consideration of the number of years already spent in the Czech Republic. Second, eligibility conditions for a permanent residence permit (which allows an automatic right to work), are also strict as 10 years of continuous residence is required (most European countries require around 5 years). Thirdly, conditions for family reunification are also restrictive, although this will change in the future due to EU membership.

5. A recent pilot scheme to facilitate the granting of permanent residence permits to highly-skilled workers marks the first real attempt to develop a policy for long-term immigration (**Box 6.4**) Implemented for the first time in 2003, the scheme aims to alleviate the fiscal problems associated with population ageing and to contribute to satisfying the need for highly qualified labour. The scheme is inspired by the “point systems” of countries such as Australia, Canada and New Zealand, though with some important differences: foreigners have to have a job offer and a work permit to come in, and there is a 2½ year trial period. The current design of the scheme has some weaknesses. First the administration costs, notably those associated with the “social checks”, are likely to become quite high

if the scheme becomes fully operational. Second, these “social checks” and the risk of not being provided with a permanent permit are likely to reduce the attractiveness of the programme for foreigners coming from abroad with their family -- this may partly explain the low number of applications the pilot scheme has received from abroad (**Box 6.4**). Requiring the foreigner to already have a job offer and a work permit is not helpful either. Indeed, rather than drawing in new immigrants, the scheme might end up serving as means to accelerate the acquisition of permanent residence permits among those who are already working and settled in the Czech Republic. The scheme’s features are not in line with developments in points systems elsewhere which have been progressively reformed to reflect the growing evidence that an immigrant’s adaptability and general skills, rather than specific skills in areas of immediate short supply, is the key to successful integration.<sup>2</sup> While New Zealand has put more focus on employability of some of the highly skilled, the latter are given the possibility to find a job once in the country.<sup>3</sup>

6. The government is also currently considering making work permits less strictly defined for workers who have been in the Czech Republic for some time, allowing them geographical and professional mobility.

7. While the labour market test has become increasingly binding in the work permit system, the trade license regime is much more liberal, pointing at some inconsistency in the overall immigration policy framework. As noted in **Box 6.3**, holding a trade license quasi-automatically enables a foreigner to get a residence visa, and conditions to get a trade license are liberal. Unlike many countries, notably the EU 15 members, no business plan is required, there is no test of the positive economic implication of the activity (which would normally parallel the labour market test for work permits), and no proof of sufficient financial resources is required. Furthermore, in the application for a trade licence, “business activity” is only loosely defined, and notably does not draw a clear line between employees and self-employed, a loophole which is often used to bypass the work permit process.<sup>4</sup> Indeed the Czech Republic is unique in having such a large share of immigration through trade licenses (**Figure 6.5**). Although the trade-licence system’s weaknesses and inconsistency with the work permit system has been apparent to the authorities for quite some time, no steps have yet been taken. One difficulty is that systems operate under different ministerial bodies, the Ministry of Labour and Social Affairs and the Ministry of Trade and Industry, complicating co-ordination of policy.

### Box 6.3. Immigration legislation and process

#### *Residence visas:*

The 2000 Immigration Act brought several significant changes to the visa system. In particular, application for a residence visa can now usually only be made from abroad, including the renewal of visas for the temporary residents if there is a change in the purpose of residence (e.g. the job for which the foreigner came is terminated). In addition, the duration of temporary visas was altered. The so-called long-term residence permit (*de facto* over 180 days up to one year) was changed for the visa of 90 days up (a renewable visa for stays of 90 days to one year). As in the previous legislation, permanent visas can be obtained after 10 years of continuous residence.

The processing of residence permits is relatively long. Reportedly, it can be time consuming to assemble the required documents and in addition legislation states that the authorities have 120 days to decide on whether residence permit will be granted. The long processing time for residence permits means that foreigners (particularly those working for foreign companies) often arrive without the required documents and regularise their situation once in the country. As part of the action plan against illegal migration adopted by the government in early 2004, the authorities envisage streamlining the administrative process, in particular through a one-stop shop.

#### *Work permits:*

Work permits are granted by local labour offices and eligibility includes a labour market test to verify that no Czech citizen registered by the local labour office is in a position to do the job concerned (this now also extends to EU citizens). The permits are provided in two steps, a permit for hiring foreigners for the employer and an individual work permit for the foreigner. Since the work permit has to be obtained before applying for the residence permit, the employer is *de facto* often in charge of the process, which is generally completed within two to three weeks. The permits are very restrictive, being valid only for a specific job, employer and area. If one of these parameters is changed, (e.g. the employer wants the foreigner to work in another place), re-application is required.

#### *Trade licenses:*

Eligibility conditions for a trade licence are the same for foreigners as for Czechs and are not onerous (being at least 18 years of age, having full legal capacity, no criminal records, and owing no tax arrears to the local tax authority). It is not necessary to be a resident to get a trade license. Once the trade license is granted to a foreigner, he can apply for a residence permit. While the Ministry of Interior has some discretionary power, in practice, the permit is almost always automatically granted.

#### *Family reunification:*

Close family members of a foreigner who has been residing continuously in Czech Republic for at least 8 years, can apply for a permanent permit. Family reunification is also possible on a temporary visa (it is even one of the few cases in which the residence application can be made from the Czech territory), but there are no established eligibility criteria, and no right to work with this type of visa. Most family reunification visas seem to be granted to family members of Czech citizens (e.g. Slovaks marrying Czechs) and not to the relatives of migrants. This will change in the coming years as the EU directive on family reunification adopted in September 2003 -- which provides a right to a long-term residence permit for family members at the maximum after 5 years of residence of the foreigner -- will soon have to be translated into Czech legislation.

#### *Special treatment:*

*Slovak citizens* have benefited from special treatment since the division of Czechoslovakia to EU entry. The agreement on the mutual employment of citizens, signed by the Czech Republic and the Slovak Republic in October 1992 established quasi free movement between the two countries. Slovaks were entitled to a temporary residence certificate of up to one year, they did not need a work permit and just had to register at the local labour office. Since May 2004, they are treated as other EU citizens.

*EU citizens*, as of May 2004, no longer need work and residence permits, and only have to register their presence. Although the Czech authorities contemplated the possibility to restrict EU workers' mobility in retaliation to the Czech workers' treatment in most EU 15 countries (see below), it was finally decided not to do so. Citizens from other new member countries, in particular Poland, will be treated in the same way, although the Czech Republic reserves its right to change this if they observe a significant negative impact of associated migration flows on the Czech labour market.

1. Generally speaking, in statistics and analysis of international migration, a long-term visa is one which has a duration of at least a year and so the Czech "long-term" residence permit is classified as temporary.

#### Box 6.4. The pilot project for active selection of qualified foreign workers

The project started in July 2003 and is due to run for 5 years. Annual quotas of highly skilled workers who can enter the trial phase of the project are set, one for those who apply from abroad and another for applications made in the Czech Republic. Eligibility for the trial phase is based on: i) possession of a temporary work permit (i.e. a job offer and having passed the labour market test, a temporary residence permit) and at least secondary vocational education, and ii) evaluation through a points system. Key aspects of the points system are:

- age (a maximum number of points is received when aged between 23 and 35) and family (the spouse evaluated through the same point system and the number of children adds to the score)
- education and work experience
- language and previous experience in the Czech Republic (working and/or living)

Previous work and living experience in the Czech Republic receives a high score in the point system. If selected, after 2½ years the foreign worker and his family move onto the next stage in the process which includes a “social check”. The check will be conducted through contact with employers and local authorities to verify that the participant and his/her family are well integrated. If this test is passed, the family will be recommended for permanent residence. In the case of a job-loss during the trial period, those in the scheme are not obliged to leave the Czech Republic (as is normally the case), but would have to find another employment within one month.

Only three origin countries were initially selected for the pilot scheme Bulgaria, Croatia and Kazakhstan; since October 2004, Belarus and Moldova and foreign graduates newly graduated in the Czech Republic at least at the bachelor level are also part of the scheme and the authorities plan to progressively increase the number of source countries. From July 2003 to April 2004, 185 persons have been selected in the programme: 182 already living in the Czech Republic (the initial quota was 300), but only 3 candidates living abroad had so far been selected (the initial quota was also 300).

#### *Integration policies are not targeting economic migrants*

8. Integration policies are still in their infancy, except in the case of refugees and asylum seekers. In 2000, an inter-ministerial committee laid down some principles for policy on a number of issues, including language, education and housing. However, apart for refugees and asylum seekers, few concrete steps have been taken, reflecting the stress on short-term migration in policy. For example, public provision or financial support for language courses is not available. While this is not a problem for Slovaks, it is for other immigrant communities, notably the Ukrainian immigrants who often have a weak grasp of Czech (Drbohlav and Janska, 2004). Integration policies are more developed for the small number of refugees (1 465 at end 2002), who are provided with free language courses, housing assistance, and assistance in finding work through a special programme run by the Interior Ministry. Asylum seekers (about 8 500 in 2002) also have access to language courses and some judicial and counselling assistance from some state-supported NGOs. The budget allocation for integration measures was CZK 22 million in 2002, about 0.003 per cent of the total state budget.

9. Access to Czech citizenship is also very restricted. As was the case in Germany until recently, *jus sanguinis* prevails, implying notably that foreigners' children born in the Czech Republic have no right to Czech citizenship. To apply for Czech citizenship, foreigners are required to have been in possession of a permanent residence permit for 5 years, implying usually a 15 year stay on the territory. In 2002, about 1 150 persons were granted Czech citizenship, among whom 200 were Ukrainians of Czech origin living in the Chernobyl region, and about 300 were Poles who had been living in the Czech Republic for more than 20 years.

## ENDNOTES

1. Generally speaking, in the statistics and analysis of international migration, a long term visa is one which has a duration of at least a year and so the Czech “long-term” residence permit is classified as temporary.
2. For example, in 1986 already, Canada had stopped adjusting its annual permanent immigration targets in light of the current labour market conditions and started to set them according to longer-term demographic and economic considerations (OECD, 2003).
3. In New Zealand, some immigrants are now admitted in the skilled migrant programme for a two-year period during which their temporary status may be converted to permanent if they find a stable employment commensurate with their skills.
4. This is the case notably for a number of Ukrainian workers, who were provided with trade licenses but whose working regime in reality resembles that of standard employees (IOM, 2004).

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