

DEMOTIVATIVE EFFECT OF SOCIAL ON THE LABOR SUPPLY OF LOW-SKILLED WORKERS

Vlastimil Beran¹

Abstract

Social benefits comprise the provision of financial assistance from the state to citizens who find themselves in difficult life situations. Thus, it is logical to assume that social benefits represent the lowest household income threshold (without this being the fault of the claimant). While in the Czech Republic, the commitment of the state to provide citizens in difficult life situations is indisputable, this commitment should not be in conflict with the labour market. For most households in the Czech Republic, the income of individuals (households) from work represents the financial resources required to cover their expenses. This article analyses the conflict between social benefits and remuneration for work in the period between 2001 and 2019, during which time only two social benefit systems were in place in the Czech Republic. Other changes represented merely mathematical adjustments of the parameters of these two systems. The analysis conducted in selected years during this period concerning persons living alone compares income from social benefits with that from work (on the one hand the average gross wage, 60 % of the median wage and the minimum wage and, on the other, the net wage and net household income).

Keywords

Income, Job, Person Living Alone, Social Benefit, Wage

I. Introduction

The focus of this article concerns low-income persons who live alone and who find themselves on social benefits following a difficult life situation. As soon as a person's life becomes financed through social benefits, certain social-pathological phenomena begin to emerge after a certain period of time, and the situation often escalates to a state in which the person is unable to help him/herself.

The most vulnerable group in this respect comprises those with low levels of education and knowledge and few acquaintances, and who are unable to solve a given situation appropriately and to a sufficient extent. Subsequently, they begin to exhibit a general aversion to society, which they see as the cause of their misfortune.² At this stage, outside intervention is clearly required via the provision of social and/or community work. However, since, as mentioned above, this is most unlikely to occur under the conditions that currently prevail in the Czech Republic, the situation remains unaddressed, which is all too often the worst possible result. At the same time, it is clear that when a low-income person finds him/herself dependent on social benefits, it is necessary to motivate the person to return to the labour market as soon as possible.

If a person who lives from social benefits also suffers from a loss of housing and is, for financial reasons, forced to find accommodation in a hostel (or a similar form of housing), then he/she is required to accept the rules of the given community. Such rules usually differ from those of the majority society and it is unusual that persons who live in such accommodation are active in the labour market. If a person wishes to be accepted in such a community, it is usually assumed

¹ Výzkumný ústav práce a sociálních věcí, v. v. i., Dělnická 213/ 12, Praha 7, 170 00, Czech Republic. E-mail: vlastimil.beran@vupsv.cz

² They either show an absolute lack of interest in the public sphere or tend towards extremism or radical political parties.

that he/she does not work and is not looking for active employment, even though he/she may attend job interviews. Should he/she secure employment, the community will ensure that he/she feels that he/she is not following the accepted rules. Since it is natural for people to feel a sense of belonging, i.e. to be part of a community, he/she will find it very difficult not to adopt the rules of the community as his/her own. Once again, a situation emerges in which the person requires outside assistance, e.g. from social services.

In general, society has expectations of each individual in different parts of the life cycle. For example, in younger years, one is expected to work to save money for housing or starting a family.³ However, if a person does not work but lives on social benefits, the functioning of the system as a whole is disrupted. He/she does not pay tax or social and health insurance contributions, nor does he/she create savings for the next life stage.⁴ Nobody benefits from such a situation, i.e. the person affected, society nor the state. The tax system, including social and health insurance contributions, should work to motivate people to work. If it is more advantageous for an individual to remain on social benefits, then it cannot be expected that he/she will wish to work. Moreover, it is necessary to take into account that, going forward, he/she will lose both his/her skills and the habit of work and, conversely, fail to gain work experience, etc. In short, the individual will become unemployable in the labour market. Such individuals harm themselves since they never fulfil their potential, society as a whole suffers from a loss of cohesion and togetherness and the process of the division of society subsequently intensifies. Instead of the state budget receiving revenue, it incurs expenses, a process that is repeated over the long term. If this phenomenon occurs at a larger (mass) scale, it exerts both a destructive effect on the development of society and an adverse effect on the state budget.

In a rationally set social system, it should not be possible for an individual to receive the same amount in social benefits as he/she would from performing work⁵. Remuneration for work should always be higher than income from social benefits. Those who work sacrifice their free time both in the workplace and when travelling to and from work which, moreover, often incurs significant transport costs. The question is whether the Czech social system recognises the logic that individuals should be able to earn more by working than by remaining on social benefits.

II. Persons living alone

During the typical human life cycle, there is a high probability that a person will live alone for a certain period of time. This phenomenon may occur at any time in the life course. For some, it is the time at which they are attempting to become independent of the influence of their parents or following the end of the educational process, while others experience this situation following the breakdown of a relationship (separation) or family unit (divorce) and, in the worst case, as the result of a life tragedy (the death of a family member through accident or serious illness). Such a situation also occurs in the more advanced life stage when a person survives his/her life partner. While other situations in which people find themselves alone can be identified, in general they concern events that form part of human life and, in several cases, are unavoidable. Situations associated with tragedy or trauma are generally referred to as difficult life situations.

Difficult life situations are often associated with a person's psychological need "to find him/herself" or to identify the direction in which his/her life is advancing and the direction in which he/she would like it to progress. This process is so difficult for many individuals that

³ Even in the later stages of life, individuals are required to fulfil certain social expectations.

⁴ While in the case of low-income individuals, the potential to save is often very limited, one can at least consider independence from state assistance and social benefits.

⁵ In the sense of full-time work.

they are unable to manage without the help of others, which is primarily expected to be provided by the family, extended family, friends or close community.

The literature on mental health that focuses on the impacts of the stressful life events of losing one's job and subsequent unemployment indicates that such events negatively impact one's status, time structure, demonstration of competence and skills and structure of relations. It carries a societal stigma and creates a sense of anxiety, insecurity and shame. (Newman, 1988) The loss of a job is a source of acute stress associated with the immediate disruption of a major social role as well as chronic stress resulting from continuous economic, social and psychological strain. (Pearlin et al., 1981) Leading modern explanations for why job loss and unemployment negatively impact a person's well-being include lowered self-esteem, sense of purpose and control; heightened apathy, idleness, isolation and the breakdown of the social personality structure; and a loss of the positive derivatives of participating in a work environment such as skills use, time structure, economic security, interpersonal socialisation and a valued societal position. (Brand, 2015)

As far as the Czech Republic is concerned, the normal practice is such that, in the best case scenario, emotional and psychological help is provided from the person's immediate environment (family and friends); otherwise he/she receives no help at all. Thus, according to a study by Marquis (1992), those from dysfunctional families are generally more affected by difficult life situations; such persons often do not receive any emotional or psychological help.

It is interesting that even thirty years after the Velvet Revolution in the Czech Republic, no mechanisms have evolved in Czech society aimed at assisting persons without families in society (the community).⁶ Society relies on others to handle such situations, whether they be non-profit organisations, charities or the state. However, such institutions share the problem of the identification of those who find themselves de facto outside society, which seriously hinders the development of social and community work. (Matoušek, 2001) Although social work activities are provided in the Czech Republic, they remain significantly underfunded. Hence, thirty years after the political changes of 1989, community work is still the exception rather than the rule. It was not until 2018 that materials covering the provision of community work were published in the Czech Republic by Tožička and Uhlová (2018) under the official auspices of the Office of the Government of the Czech Republic.

From the economic point of view, in addition to the afore-mentioned psychological problems, such life situations are usually associated with financial and material deprivation. In the Czech Republic, experience shows that those in need turn first to the state should they require material and financial assistance, in which case it is unnecessary to distinguish persons with or without family and friends.

State assistance is intended to ensure that persons do not suffer from a decline in their living standards that would not have occurred without the occurrence of a difficult life situation. Households tend to prefer this form of assistance primarily because it is simple and anonymous and is a less stigmatising form of assistance than that provided by family or friends. Moreover, the stigmatisation factor means in many cases that without assistance from the state, many affected persons would have major problems overcoming difficult life situations without lasting negative life consequences. Since community involvement in this area remains underdeveloped in the Czech Republic, there is often no other option than applying for state assistance. The reason for this situation lies in the wording of the relevant legislation, which allows very limited space for the development of other solutions.

⁶ Unless one includes the Czech practice of older woman who enjoy the confidence of others and who betray it to all who are prepared to listen to them.

Legislation strictly sets out the situations in which the state is obliged to provide assistance, i.e. purely financial assistance. The sufficiency, effectiveness and meaningfulness of such assistance is not considered; the respective state administration authorities are not required to consider the reasons for claimants needing help. Legislation sets out the obligation, and the obligation is fulfilled. In such a system, the provision of social work and, particularly, community work is extremely difficult. (Cheetham et al., 1992) In other words, if persons in need have been provided with financial assistance according to legislation, further expenditure from public funds on social work cannot be justified. Moreover, the same thinking, but with respect to non-financial considerations, applies to the provision of community work; again, why provide such services if the problem has been solved via the payment of social benefits? Changing attitudes, i.e. the status quo, in this respect in the Czech Republic is very difficult since a large part of the population remains burdened by historical developments, whether it be forty years of a centrally-planned economy or the “wild” period of transformation of the 1990s.

In order to answer this question, it is necessary to be aware of the recent history of the social benefits system. From 2001 to 2019, only two social benefit systems existed in the Czech Republic. In 2006, the housing item was separated from the living minimum. Up to this time, a single amount was paid out to cover all the needs of the claimant (only the alcoholic beverages and tobacco item was not included). Since, following 2006, expenditure on housing was no longer included, the living minimum served only to satisfy nutrition and other basic personal needs.

This change was deemed necessary since it became unrealistic to reflect the development of accommodation rents within the living minimum. The already rapid increase in housing rental costs was further accelerated following the announcement to deregulate the accommodation rental sector. The separation of housing from the living minimum was, thus, reasonable at such an economically turbulent time. However, the subsequent approach adopted to increasing the housing contribution, i.e. according to the amount of social benefits received, was seen by many as inappropriate. While the financial authority cited the insufficiency of housing capacity as the reason for this solution, over time it became apparent that this approach had opened the door to an externality known as the trade in poverty, which had become a major problem by 2010. Normally non-rentable flats were rented (from the private sector) by the state on a commercial basis at almost market rents. Such flats often did not meet basic hygiene standards or were simply unfit for purpose, thus representing expenditure from the state budget that was disproportionate to the service obtained. In addition, the housing market at this time was already distorted as a consequence of the economic transformation, at which time standard housing policies common in developed countries were not implemented in the Czech Republic.

Housing constitutes by far the biggest problem for persons living alone in the Czech Republic. The decision to commence working is influenced primarily by housing and one’s ability to pay all the costs associated with it (e.g. energy). In most developed countries, social housing policies are in place aimed at addressing the situation of such individuals. In order to form a general understanding of social housing, it is necessary to be aware of the principles that form its cornerstones, what it stands for and what it aims to achieve. As a result of its considerable success, one of the pillars of social housing today comprises the Housing First programme approach. First introduced in 1992 in New York through an organisation known as “Pathways to Housing”, the programme was developed to strengthen the assertive community approach as a mechanism for responding to the needs of homeless persons with mental illnesses (Tsemberis et al., 2004). The Housing First programme has already been introduced in the European Union

in a partly amended form⁷, and the Housing First Guide Europe by Pleace (2017) has been published in various member states of the European Union.

Although the Czech Republic has not yet integrated this approach into the social system, a total of fifteen related applications were approved under call no. 108 of the Employment Operational Programme of the European Social Fund, consisting of pilot projects aimed at leading to the implementation of systemic measures in the future (Ministry of Labour and Social Affairs of the Czech Republic, 2019). Since this approach was incorporated into the model employed in this article for 2019 and was constructive in terms of helping to identify the problems of persons living alone in the Czech social system, it is necessary to clarify the model adopted and the assumptions thereof.

III. Methodology and data employed

The principal method employed comprises the comparative approach that enables the comparison of the settings of the social system in various years. The purpose of the comparison was to determine the year that represented the optimal situation in terms of motivating individuals to perform work, i.e. the situation in which an individual is objectively motivated to work since it is not financially advantageous to live on social benefits. This involves the absence of rational economic reasons that would discourage individuals from finding and remaining in employment. In addition to this hypothesis, it is necessary to perceive the system as a whole. Along with the existence of a benefits system, the quality of the public administration system and the services provided is of particular importance (Baldini et al., 2018). A further finding from Baldini's research is that the quality of the public administration system is more important than the quantity. In 2012, the benefits system in the Czech Republic was optimised in the form of the transfer of the payment of social benefits from municipalities to labour offices. The adapting of the public administration system was lengthy and far from smooth and almost resulted in the collapse of the social benefits system.

The values of the average and median gross wages constitute official statistics that are provided on an annual basis by the Czech Statistical Office (2020). The minimum wage and the amount of the living minimum are set by legislation for the respective year.^{8,9} Legislation valid in the respective year is used as the basis for the calculation of values concerning the amount of claimed social benefits in the model. The modelled situations do not take into account the possibility that individuals do not receive the social benefits to which they are entitled (unexpected non take-up). Persons living alone in the Czech Republic are entitled to claim two housing benefits - the housing allowance and the material needs housing benefit supplement - and one benefit for unfavourable life situations - the material needs living allowance. The modelled individual lives in a city of between 10,000 and 50,000 inhabitants and uses a living space that corresponds to the required size of his/her household type. The modelling of social benefits includes the comparison of the actual costs of housing and the respective legally set norms.

The article provides the outputs of the analysis in graphical form. The various graphs are designed so that it is easy to determine whether it is worthwhile for individuals to work or to remain on social benefits. The X-axis shows the average gross wage as a percentage, and income in Czech crowns is recorded on the Y axis. Each graph also contains two vertical lines;

⁷ If help can be provided to dependent and homeless persons, there is a high probability that assistance can be provided for less seriously affected individuals.

⁸ The minimum wage is defined in Act No. 262/2006 Coll., the Labour Code, Section 111. The amount is set in Government Decree No. 567/2006 Coll., on the minimum wage, etc. Section 2.

⁹ The living minimum is defined and its amount is determined in Act No. 110/2006 Coll., on the living and subsistence minimum, Sections 2 and 3.

the left line represents the minimum wage from full-time work and the right-hand line two-thirds of the median wage¹⁰. This value represents the maximum income limit of low-income persons living alone, a fact that in itself represents a significant demotivational factor. The chance of the income of the population group considered in this study exceeding the limit of two thirds of the median is practically zero. While the possibility exists that some individuals have managed to increase their incomes to above this threshold, the number is so marginal as to be insignificant for the purposes of the research.

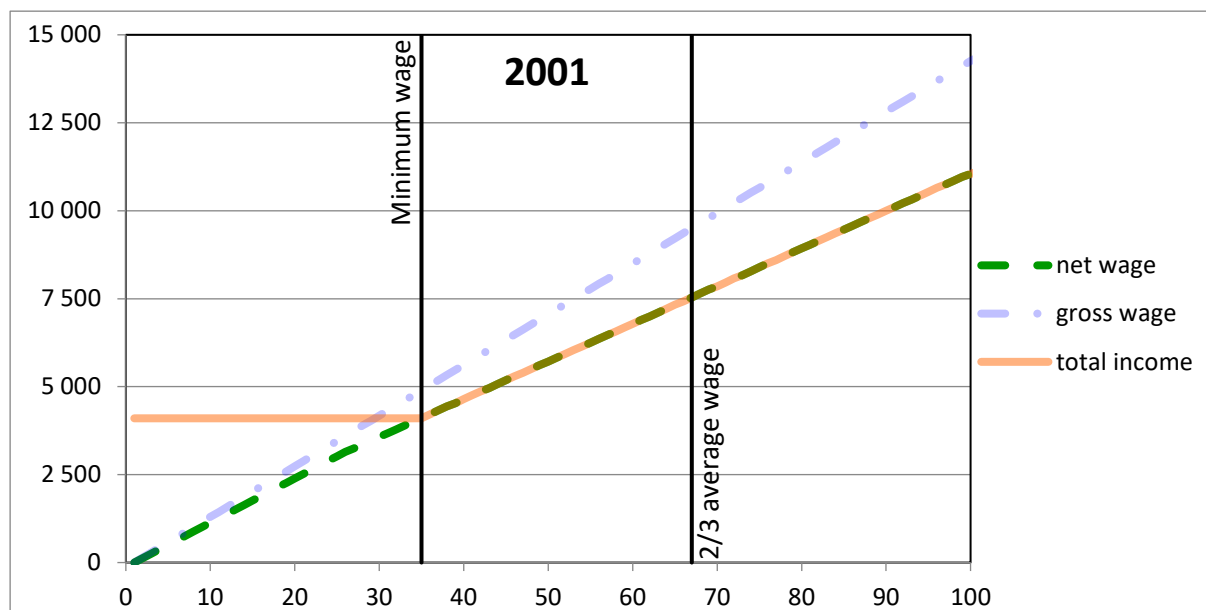
The dash-dotted line (in blue) represents the gross salary and the dashed line (in green) illustrates the development of the net wage (the net remuneration from work performed). The solid curve (in orange) illustrates the development of total household disposable income (the sum of the net wage and social benefits).

The aim was not to provide outputs for each year; rather, the graphs highlight the most significant changes that occurred in the given period. Thus, six graphs are provided for the years 2001, 2006, 2008, 2016 and 2019. Two graphs are provided concerning 2019, the first referring to individuals living in hostel accommodation and the second to persons living in rented housing.

IV. Outputs of the model for a person living alone in the period 2001 to 2019

The first graph refers to the beginning of the monitored period, i.e. 2001, in which year, the living minimum (including housing) was set at CZK 3,770, the minimum wage was CZK 5,000 and the average wage was CZK 14,378.

Figure 1 Person living alone 2001



Source: Czech Statistical Office, own calculations

The graph illustrates that a person living alone on the minimum wage received a similar net wage amount as that provided by social benefits. The claiming of benefits provided an income of CZK 4,100 and work with earnings of CZK 4,214. Thus, there was no motivation for those on social benefits to work for the minimum wage. In the case of the upper interval of 2/3 of the average wage, the net income was CZK 7,646, i.e. CZK 3,546 more than the income received

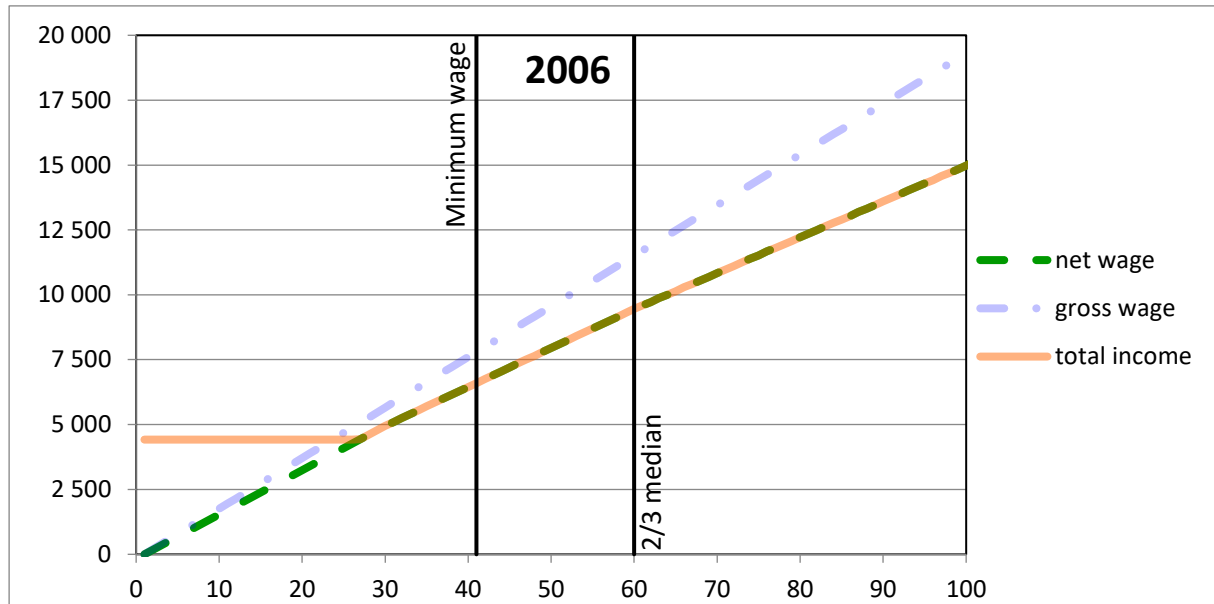
¹⁰ In 2001, the monitoring of the median statistical value had not yet been introduced in the Czech Republic hence, it is replaced by the average (gross) wage.

from social benefits. At the time, this amount was significant enough to motivate individuals to work. However, it should be noted that an income of 2/3 of the average wage (higher than 2/3 of the median) was unrealistic for the vast majority of the income group considered, the incomes of whom were nearer to the minimum wage than to 2/3 of the median. Thus, the economic motivation suggested by the graph most likely does not accurately reflect the real situation of most of the studied group.

The social system of 2001 features motivational elements with increasing income above the level of the minimum wage. However, the transformation process of the Czech economy was still underway at this time, i.e. the deregulation of prices accompanied by the suppression of wages due to competition. There was a significant number of persons in the Czech economy who had not worked since the Velvet Revolution, and this way of life became their normal lifestyle.

The second graph relates to 2006, in which year the living minimum was CZK 4,420, the minimum wage was CZK 7,570 and the average wage was CZK 19,546. This was the last year of the original social system, i.e. in which the housing component was included in the living minimum.

Figure 2 Person living alone 2006



Source: Czech Statistical Office, own calculations

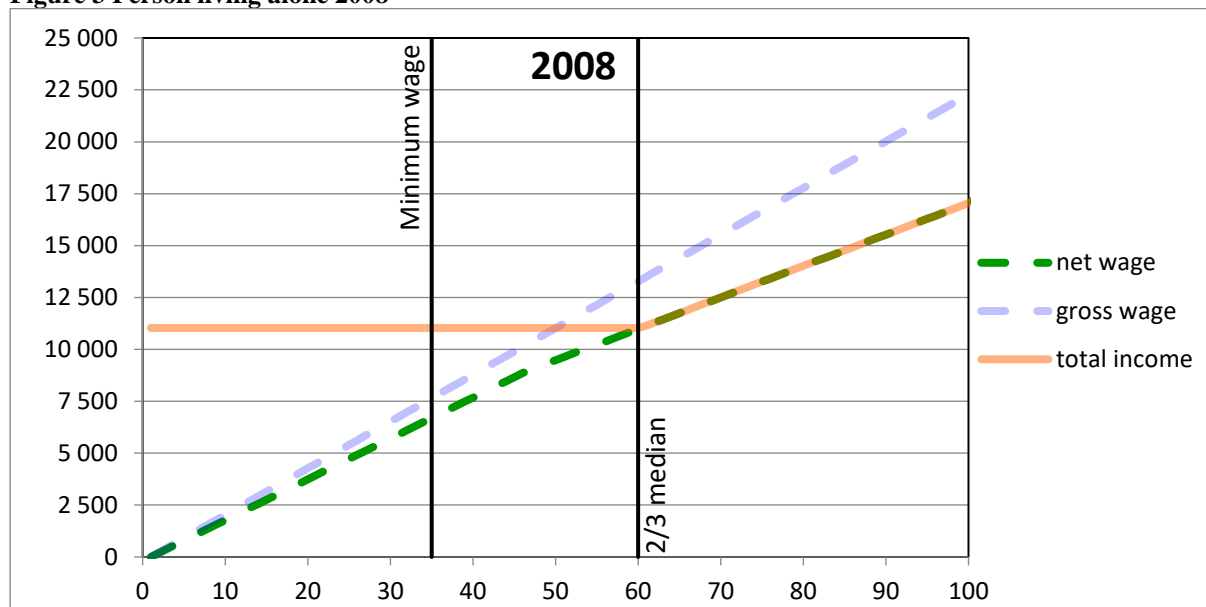
In contrast to 2001, a clear visual difference is evident in terms of the interaction of social benefits and earnings. Those working for the minimum wage received a net income of CZK 6,755, while those on social benefits received CZK 4,420. This would appear to suggest a clear work motivational aspect and to represent a significant improvement in terms of the household budget. In the period around 2006, however, the housing problem, especially rising housing prices, became publicly acknowledged. Many individuals on social benefits were already housed in accommodation¹¹ that was segregated from the rest of society. While the quality of such housing was significantly below that of the average, the cost was similar. Moreover, at this time even the lower middle class was experiencing housing problems since the price of labour was deliberately being reduced while prices continued to increase. While the model indicates economic motivation to work, unfortunately it fails to capture the other factors that

¹¹ For example, hostels, as already mentioned previously.

were involved in reality. Thus, it can be concluded that even in 2006 there was very little motivation for a person living alone on social benefits to take up employment.

The third graph relates to 2008, by which time the new social system had been introduced¹². Since the previous year was characterised by a number of problems associated with the introduction of the new system, the author chose 2008 to demonstrate the functioning of the social system following the introduction of the changes. In 2008, the living minimum was set at CZK 3,126, the minimum wage was CZK 8,000 and the average wage was CZK 22,592.

Figure 3 Person living alone 2008



Source: Czech Statistical Office, own calculations

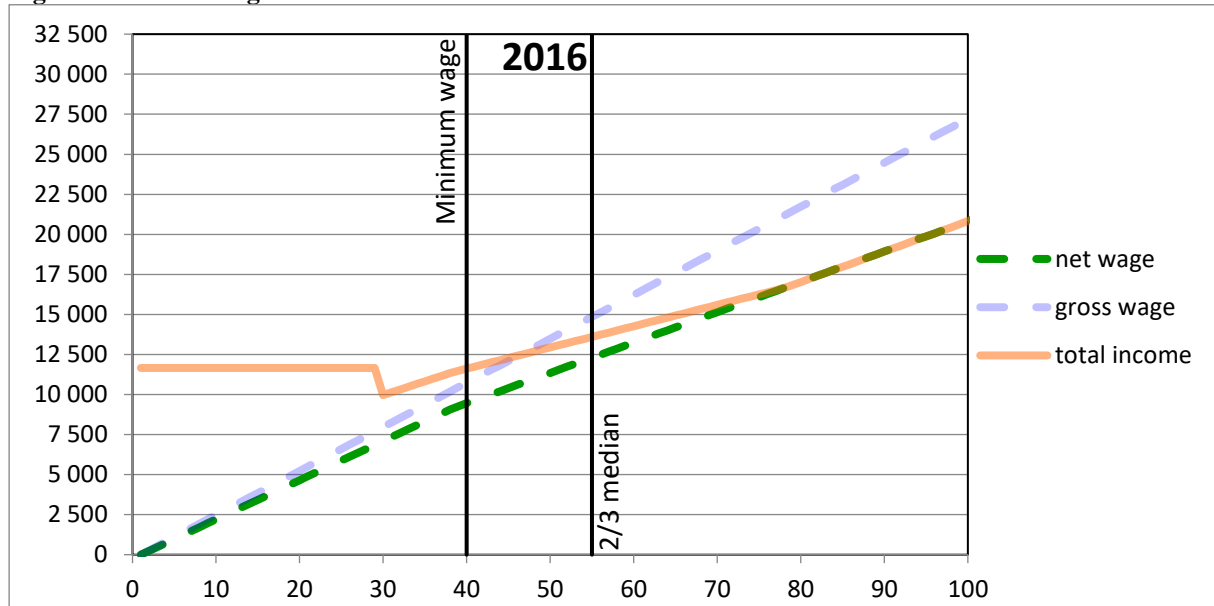
The development of the total income curve (the solid orange line) clearly indicates that it was not worth working at all for persons living alone. Between the minimum wage and the two-thirds of the median intervals, the sum of social benefits is higher than the net wage. The new social system created the strongest economic demotivation factor in history. For those already in receipt of social benefits, official earnings from work failed to provide motivation for them to work. In essence, those in work earned only the amount of the living minimum and *de facto* only handed over social housing benefits to the landlord. Provided an individual were not already disheartened, had a certain level of education and had a desire to improve his/her standard of living, he/she was able to find work and cheaper housing and, possibly, regain the opportunity to influence his/her life. However, such behaviour could not be expected from those on benefits over the long term. As a result, the *status quo* was preserved. Such individuals were not provided with help to change their life situation; moreover, the situation worsened over time and assumed enormous proportions. The trade in poverty was extremely successful in the Czech Republic. The statistics prove that many people prospered substantially from the misfortunes and life tragedies of their fellow citizens. In 2008, the material needs living allowance was provided to almost 250,000 claimants. In 2014, the number of claimants of this benefit reached its historical maximum of almost 880,000, after which time the number declined to 770,000 persons in 2016 (Ministry of Labour and Social Affairs, 2020).

The fourth graph refers to 2016, which saw the payment of relatively the highest amount ever from the state budget on social benefits related to housing (the sum of benefits divided by the

¹² 2007 was the first year of the operation of the new system, i.e. the non-inclusion of housing in the calculation of the living minimum. The introduction of the new system was beset by a range of problems.

number of benefits paid out). Moreover, 2016 also saw the introduction of legislation that aimed to put an end to the trade in poverty; previous legislation on this topic had failed to do so. However, it is not unreasonable to assume that the economic boom that followed was more effective in this respect than the introduction of the new legislation. In 2016, the living minimum was set at CZK 3,410, the minimum wage was CZK 11,000 and the average wage was CZK 27,589.

Figure 4 Person living alone 2016



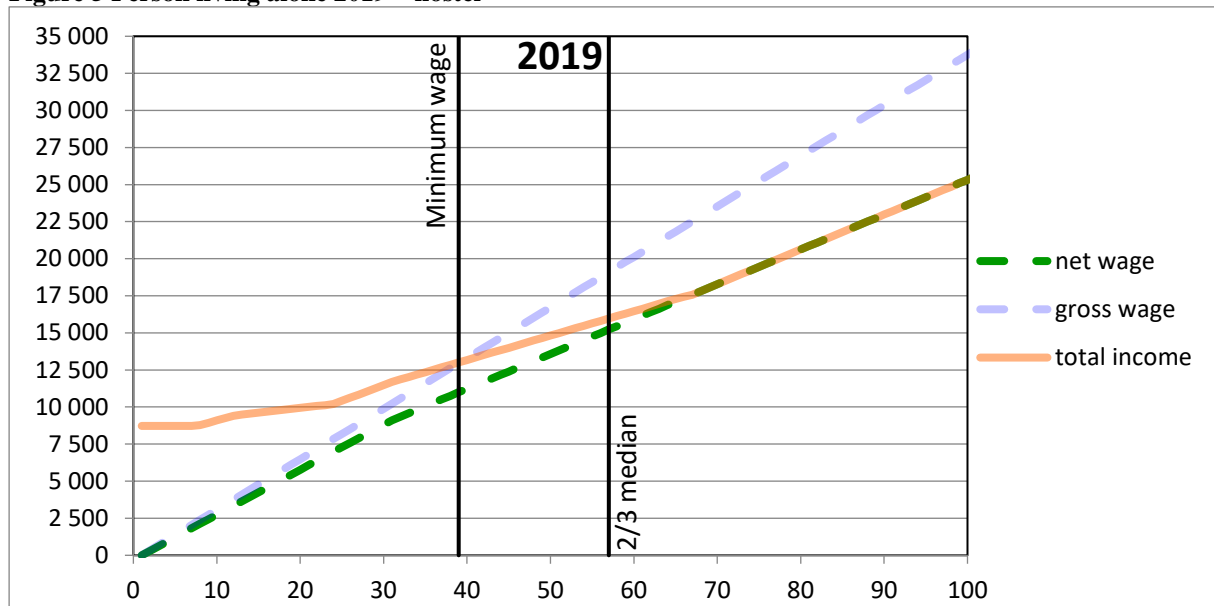
Source: Czech Statistical Office, own calculations

The development of the total income curve suggests that no significant changes had taken place in terms of the economic motivation to work. The value of social benefits (for persons who did not work) was almost identical to the total value of income from work and social benefits. Clearly, the various legislative amendments did nothing to change the basic problem of the social system. In the case of the maximum possible income of an individual (2/3 of the median)¹³, the amount of income was a mere CZK 2,000 higher. The demotivating effect continued. It is also interesting to note that the right to social benefits ended upon earning 77 % or more of the average gross wage. Moreover, the limit of maximum earnings stood at 55 % of the average gross wage which, in itself, indicates a significant problem with concern to the Czech labour market. This phenomenon also occurred in 2019. It is necessary to emphasise that the long-term illogical settings of the system lead to a situation that benefits no-one in the end, e.g. the occurrence of illegal work, which took root in the Czech economy as early as in the 1990s.

The final two graphs relate to the situation in 2019. The first graph illustrates the changes that were brought about as a result of legislative amendments introduced after 2016, while the second graph provides an alternative scenario that considers the use of social housing. In 2019, the living minimum was set at CZK 3,410, the minimum wage was CZK 13,350 and the average wage was CZK 34,125.

¹³ It remains true that such persons are unlikely to achieve such an income.

Figure 5 Person living alone 2019 – hostel

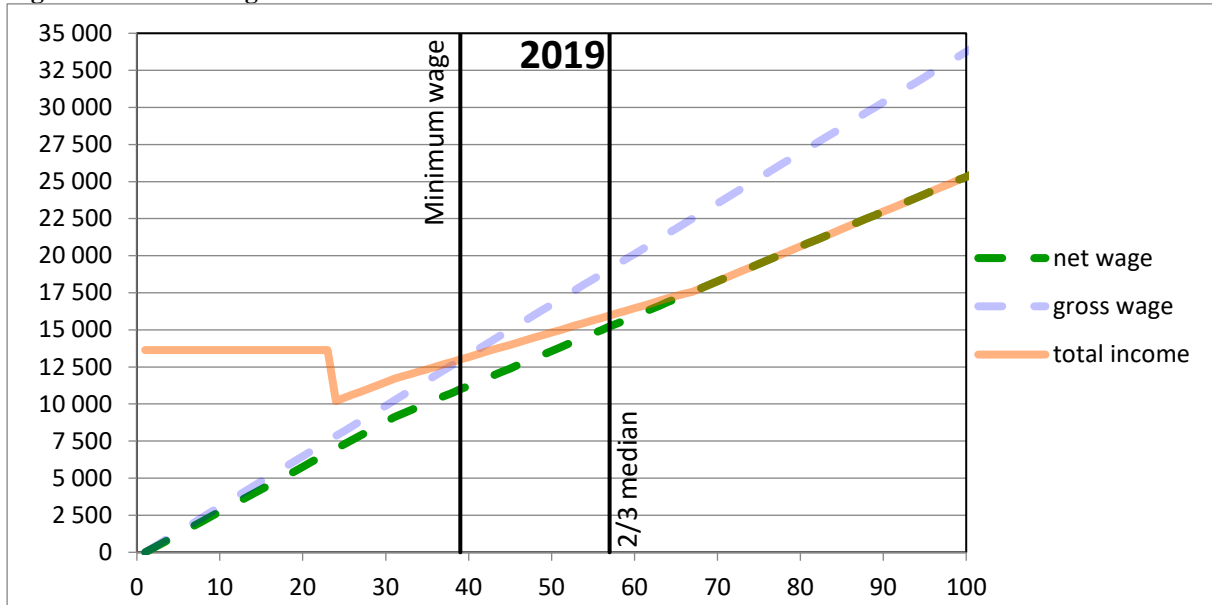


Source: Czech Statistical Office, own calculations

The graph shows the situation of individuals living in hostel accommodation, the financial resources of whom consist of the living minimum. They no longer receive money for housing, i.e. it is paid directly to the hostel owner. From the point of view of a person’s decision-making process, it is necessary to take into account the full amount, thus ensuring that all the necessary costs are covered. The modelled economic assessment of income from social benefits alone compared to the sum of income from work and social benefits reveals the second lowest demotivating effect. Unfortunately, however, this is only the situation as indicated by the model; in reality, the probability that persons living in such accommodation will take up gainful employment is negligible. Even if they manage to find employment, such individuals are at risk of additional psychological stress and frustration - it is very difficult to leave the only community they know and they are very unlikely to have contacts and ties elsewhere. They have become cut off from mainstream society. While legislative regulation in this respect resulted in state budget savings, it did nothing to help such individuals or to solve the overall situation.

The final graph aims to show how much money an individual would need in order to be able to afford rented housing, thus providing the individual with the stability and certainty required to support his/her return to mainstream society. The disadvantage of this approach, however, is that the probability of successfully integrating individuals back into society is only slightly higher than in the case of successful addiction treatment.

Figure 6 Person living alone 2016 – rented accommodation



Source: Czech Statistical Office, own calculations

In 2019, a person living alone needed an income of around CZK 13,600 in a city of 10,000 to 50,000 inhabitants. While he/she would enjoy secure housing, he/she would have only CZK 3,410 for his/her living needs. The logic of social housing suggests that individuals would not be excluded from society. The problem remains, however, that since the combination of income from work and social benefits provides the same income, it is unrealistic in the Czech Republic to try to integrate persons living alone into society.

Two potential scenarios exist with concern to solving or alleviating the problem of the Czech labour market. The first scenario is to increase the remuneration for work to such an extent that it will be significantly higher than the amount of the social benefits that individuals are entitled to claim. This is subject to two assumptions. The first assumption is that price levels do not increase to such an extent that the purchasing power of money is devalued. The second assumption is that the amount of social benefits will remain the same, while continuing to fulfil their function as defined in legislation. For example, in the past, the living minimum has frequently failed to fulfil this function, which sheds a poor light on the Czech Republic's social system. The second scenario works via the alleviation of the distortion of the housing market and the elimination of the housing market bubble before it bursts. In cooperation with municipalities and regions, the Ministry of Regional Development and the Government should initiate the construction of social housing in the Czech Republic. In this case, a big question mark exists. The Czech experience to date with such large cooperation projects is poor and the result would be uncertain. At the same time, it is necessary to appreciate that the possibility to draw financial resources from European Union funding is coming to an end. While the use of funds in this direction would make sense and lead to the reaping of rewards in the future, unfortunately, the risk of corruption and the misuse of subsidies from European Union funds must also be taken into account.

V. Conclusion

The article provided an analysis of the interaction of the social system and the labour market in the period 2001 to 2009. Considering the example of low-income persons living alone, a rational economic reason was identified for not choosing to take up work during the monitored interval. The intensity of the demotivating effect varied according to the year selected for study.

According to the model, the lowest level of demotivation related to 2006; nevertheless, the situation in 2006 was far from ideal - the model simplified the real situation and failed to capture other variables that would have served to provide a more complete picture. Conversely, the highest level of demotivation was identified in 2008, since which time the modelled situation gradually improved. However, while the intensity of the demotivating effect was clearly declining, it remained a significant factor at the end of the reference period.

If those who find themselves in a difficult life situation in the Czech Republic are unable to solve the situation, they risk becoming stuck in the social system. Their lives stagnate and they suffer a decline in their standard of living. Outside assistance should act to mobilise such individuals and help them to return to mainstream society. The failure to do so results in negative consequences for all those involved – the individuals themselves, society and the state. The housing market plays an important role in this problem in the Czech Republic. Housing makes up one of the three basic necessities of life and it should not be ignored. The relevant authorities should actively address the situation in the housing market and not be content with merely mitigating the negative effects in the form of social benefits. The state must accept the fact that the system is not working rationally, and should start to work on determining a solution.

The state should begin solve the “easier part of the problem”; it still has the time and potential to learn to work with people in difficult life situations so as to enable them to integrate back into society. Going forward, this ability will be absolutely essential since, over the next 30 years or so, the age structure of the population in the Czech Republic will shift significantly towards the senior population. There will be a serious lack of people of working age to cover the payment of old-age pensions. The state will not be able to afford to lose people of working age, i.e. contributors to the social security system. If the state fails to adapt in this respect, through the provision of social and/or community work, then those who find themselves in difficult life situations will become lifelong recipients of social benefits. They will represent a net expense for the state. This negative trend can be prevented by the training of quality social workers who will be able to help these individuals via the provision of professional supervision services.

Persons who live alone generally have the easiest position in the labour market, i.e. they have no difficulties or complications associated with caring for others. When else should an individual work? However, it is also true that those on low incomes do not have the opportunity to see the positive results of their efforts. They are unable to generate savings from their earnings that would ensure better conditions for the future (starting a family, security in old age, etc.). This represents a further demotivating factor for individuals in this situation. The knowledge that they are able to earn money to meet only current basic needs leads to frustration and a loss of confidence in the system, authority and society as a whole. It increases the likelihood of resorting to illegal work and, importantly, increases the potential for passing on this approach and attitude to life to the next generation.

Today, the influence of the future challenges brought about by the robotisation, automation and digitalisation of the economy must not be overlooked. Increased demands will be placed on workers in terms of flexibility, life-long education and work habits. Since there is a very real risk that those on social benefits and, indeed, those on low incomes as defined at the beginning of the article will be increasingly excluded from the modern world of work, the situation must be addressed now before it is too late.

References

Baldini, M., V. Peragine, & L. Silvestri. (2018). Quality of government and subjective poverty in Europe. *CESifo Economic Studies*, 64(3), 371-395.

Brand, J. E. (2015). The Far-Reaching Impact of Job Loss and Unemployment. *Annual Reviews*, 41, 359-375.

Cheetham, J., R. Fuller, G. McIvor and A. Petch. (1992). *Evaluating Social Work Effectiveness*. London Buckingham Open University Press.

Czech Statistical Office. (2020). *Mzdy, náklady práce – časové řady*. Retrieved May 11, 2020, from https://www.czso.cz/csu/czso/pmz_cr.

Marquis, P. (1992). Family dysfunction as a risk factor in the development of antisocial behavior. *Psychological Reports*, 71(2), 468.

Matoušek, O. (2001). *Metody a řízení sociální práce*. Praha: Portál.

Ministry of Labour and Social Affairs Czech Republic. (2019). *Podpora programu Housing First (Bydlení především)*. Retrieved December 4, 2019, from <https://www.esfcr.cz/vyzva-108-opz>.

Ministry of Labour and Social Affairs Czech Republic. (2020). *Základní ukazatele z oblasti práce a sociálního zabezpečení v ČR*. Retrieved March 21, 2020, from <https://www.mpsv.cz/zakladni-ukazatele-zoblasti-prace-a-socialniho-zabezpeceni-v-cr>.

Newman, K. (1988). *Falling from Grace: The Experience of Downward Mobility in the American Middle Class*. New York, NY: Vintage Books.

Pearlin, L. I., E. G. Menaghan, M. A. Lieberman and J. T. Mullan. (1981). The Stress Process. *Journal of Health and Social Behavior*, 22 (4),337–56.

Pleace, N. (2017). *Housing First Guide Europe*. Retrieved November 18, 2019, from https://housingfirsteurope.eu/assets/files/2017/03/HFG_full_Digital.pdf.

Tožička, T. and S. Uhlová. (2018). „*Základy a principy komunitní práce* “. Retrieved December 8, 2019, from https://www.vlada.cz/assets/ppov/zalezitosti-romske-komunity/dokumenty/Publikace-komunitni_prace.pdf.

Tsemberis, S., L. Gulcur and M. Nakae. (2004). Housing First First, consumer choice, and harm reduction for homeless individuals with a dual diagnosis. *American Journal of Public Health*, 94(4), 651–656.

Czech legislation: Act No. 110/2006 Coll., on the Living and Subsistence Minimum.

Czech legislation: Act No. 262/2006 Coll., the Labour Code.

Czech legislation: Government Decree No. 567/2006 Coll., on the minimum wag.