



Employment creation opportunities and future skills requirements in the Karlovy Vary region

PART 1: SHORT-TERM OPPORTUNITIES

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Disclaimer

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Introduction

This report assesses short-term local employment creation opportunities and accompanying support mechanisms targeting displaced workers in the Karlovy Vary region. It includes an assessment of approaches and international good practice for employment creation and support to displaced workers under circumstances of the large-scale redundancies taking place in the region. It also sets out approaches in terms of institutional and analytical responses and the measures that have been put into place to help displaced workers to find new jobs and to create an environment that encourages job creation. Based on this, it also formulates outline recommendations and proposals for concrete measures to provide short-term employment opportunities for displaced workers.

Accordingly, the report is structured as follows:

- **Section 1** sets out the background and context, including information about the main economic activities of the Karlovy Vary region and the region's employment situation.
- **Section 2** examines the main trends and developments in the region, including the events leading to decarbonisation, and details of the coal mining and energy section in the region.
- **Section 3** contains details of the SUAS mining company, including a profile of the workforce and the planned redundancies and likely effects of this. It also gives an overview of the planned support for displaced workers.
- **Section 4** sets out the key challenges for the Karlovy Vary region, including attracting inward investment, encouraging innovation and diversity, creating a common vision for the region, dealing with the impact of COVID-19, tackling the history of reliance on a major employer, dealing with flight from the region and a lack of tertiary-educated workers, and coping with the uneven impact of unemployment across the region.
- **Section 5** sets out some relevant good practice examples from around the world.
- **Section 6** identifies and assess key short-term intervention areas.
- **Section 7** offers some recommendations in relation to short-term actions to support displaced workers.

1. Background and context

Karlovy Vary is NUTS3 region located in the Western part of Czechia, bordering the regions of Bavaria and Saxony in Germany. The area of the region is 3,314 square kilometres, with a population density of 91.1 persons per square kilometre (Eurostat, 2018)¹.

Karlovy Vary is the smallest region with the lowest population of the 14 NUTS3 regions in Czechia. Based on the latest Eurostat data from 2019, the total population in this region is 294,896, of which 65% are between 15-64 years of age (Eurostat, 2019)². The population of the region has been steadily declining since 2009. Its most populous cities are Karlovy Vary, Sokolov and Cheb. For details of the population of all 14 NUTS3 regions in Czechia, see Figure 1.

1.1 Main economic activities of the region

The main economic activities of the Karlovy Vary region are focused on tourism, spa activities and balneology. Karlovy Vary has the highest concentration of spa facilities and venues in the whole of Czechia. The region's spa cities are very popular among foreign visitors and therefore the travel industry, transport and services are also well developed in the region, including a well-developed network of hotel facilities and hospitality services. The most popular spa cities for tourism, wellness and recreational purposes are Karlovy Vary, Mariánské Lázně, Františkovy Lázně, Lázně Kynžvart and Jáchymov. Balneology and spa tourism depend on international tourism from an economic point of view: spa cities welcome on average more foreign visitors than domestic visitors. In 2018, more than 1 million guests visited the region and the share of foreign visitors was around 60%.³ In connection to the spa tourism, and popular cultural events such as the International Film Festival, the Karlovy Vary region has the highest numbers of overnight visitors in Czechia per year.

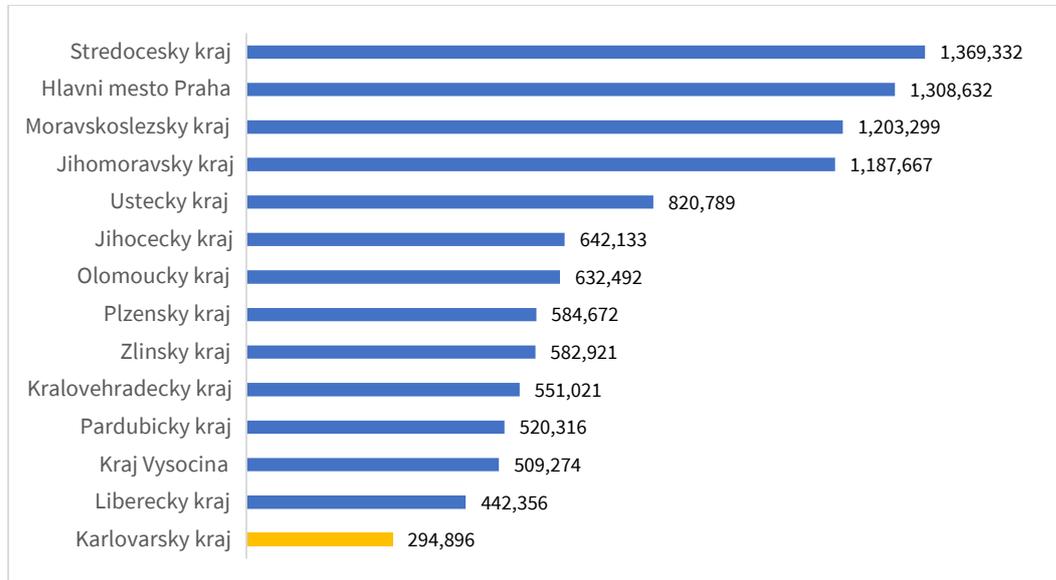
The region is rich in natural mineral waters and natural hot springs that are used in the spa industry: the local Balneological Institute of Karlovy Vary was established in 2013⁴. The aim of the Institute is to educate the general public about the therapeutic effects of medicinal springs, and to carry out research activities in areas

¹ <https://ec.europa.eu/eurostat/web/rural-development/data>

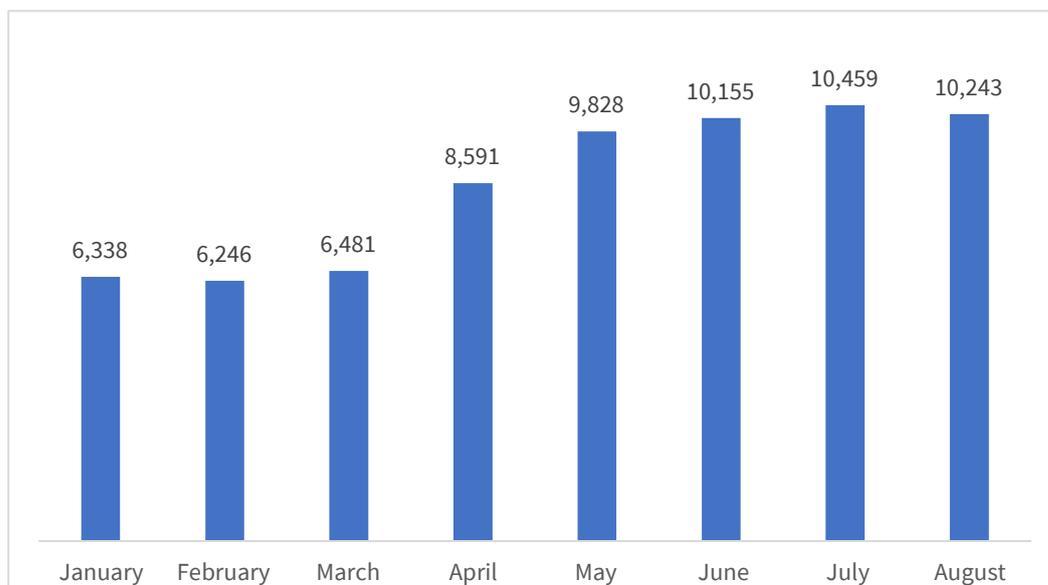
² https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_r_pjanaggr3&lang=en

³ https://www.czso.cz/csu/xk/charakteristika_karlovarskeho_kraje

⁴ <https://bikv.cz/cs/onas>

Figure 1: Population of the 14 NUTS3 regions in Czechia

Source: [Eurostat 2019](#)

Figure 2: Number of unemployed people in Karlovy Vary region between January 2020 - August 2020

Source: [Ministry of Labour and Social Affairs](#)

of balneology, especially in the fields of medical hydrotherapy, and hydrogeology of spring structures. The Institute also organises events and educational training activities for professionals in the balneology industry.

Energy and coal mining industry is another significant and traditional industry of the region. The energy industry is linked to Sokolovská uhelná, právní nástupce, a.s. (SUAS) company, which is a lignite mining company and the second largest producer of electricity in Czechia, with two coal-fired plants located in the region.

Other traditional industries of the region include the production of pink porcelain, glass and pottery, the textile and clothing industry, the automotive industry, engineering, and the chemical industry and exploitation of minerals. Karlovy Vary is also famous for Becherovka, a herbal liqueur made from more than 20 types of herbs and spices, produced in the region since the beginning of the 19th century.

1.2 Employment situation

In the first quarter of 2020, Karlovy Vary region had 151,700 of economically active people, from those 147,200 people were employed⁵. The number of unemployed people has been rising since February 2020, the graph below shows the sharp increase of number of unemployed people in Karlovy Vary during the spring months.

The region is divided into 3 sub-regions centred around the biggest regional cities of Karlovy Vary, Sokolov, and Cheb. Job vacancy rates (the proportion of total available posts that are vacant per number of job seekers in the area) in the region are uneven between these three districts. In June 2020, Cheb had 1.2 jobseekers per available vacancy, the Karlovy Vary ratio was 1.8 and the Sokolov ratio was 5.3, which is the second-highest ratio in the country after the city of Karvina, which is located in Moravian-Silesian Region. Overall, the highest unemployment rate in the region is centred in the Sokolov district (5.8%) where there is the highest supply of jobseekers compared to available vacancies. The unemployment rate in the Karlovy Vary district was 5.2% and only 4.3% in the Cheb district in June 2020⁶.

In the first quarter of 2020, the overall unemployment rate for the region was stable and very close to the national average of 3%. In the second and third quarter of 2020, the unemployment had risen steadily at both the regional and national level, due in particular to the COVID-19 pandemic. The unemployment rate of the

Karlovy Vary region exceeded the national average and peaked in July 2020 at 5.3% compared to the national average of 3.8%. Therefore, in the past six months, the Karlovy Vary region has been among the most affected regions in relation to the pandemic, with one of the highest unemployment rates of the NUTS3 regions.

It is important to note that despite this increase in the unemployment rate at the regional level, the average unemployment rate in Czechia is among the lowest in the EU-27 Member States. The national unemployment rate in May 2020 was 2.2% compared to the EU-27 average of 6.7% (Eurostat, May 2020). Most of the employment opportunities in the region are in the spa industry, balneology and tourism, mechanical and electrical engineering, energy industry, automotive industry, and traditional industries such as ceramics, porcelain and glass⁷.

In the Karlovy Vary subregion, one of the largest employers is WITTE Nejdek, spol. s r.o.⁸, a manufacturer of car locks and components for the automotive industry, based in Nejdek town. This company is a branch of a German company, established in the Karlovy Vary region since 1992 and employing around 1,680 people⁹. The second branch of this company is based in Ostrov, WITTE ACCESS TECHNOLOGY, s.r.o. and WITTE Paint Application, s.r.o.¹⁰, focusing on the production of painted outer door handles. This company employed 614 people in 2019. Both WITTE companies in Nejdek and Ostrov employ a share of their workforce from abroad, in particular workers from Bulgaria and Ukraine. Another significant employer is the Swedish company SKF Lubrication Systems CZ, s.r.o., which focuses on the manufacturing of pumps and compressors for a variety of industries, including mining, engineering, construction, manufacturing, and the production of wind turbines¹¹. This company employed around 500 people in 2019 and is based in Chodov.

The traditional porcelain industry is a significant employer in the Karlovy Vary sub-region as well. Thun 1794 a.s. was established in 2009 and focuses on the production of kitchen and hotel porcelain. This company employed around 400 people in 2019, and its facilities are based in Nova Role town which is located approximately 11 kilometres from Karlovy Vary city. In hospitality and services, the largest employers include Léčebné lázně Jáchymov, a.s. (Medical Spa), Grandhotel PUPP in Karlovy Vary, and the Imperial hotel, also based in Karlovy Vary city.

⁷ <https://www.ris3kvk.cz/>

⁸ <https://www.witte-automotive.cz/>

⁹ https://www.uradprace.cz/documents/37855/906811/Rocni_KVK_2019.pdf/4a3c7a43-f989-4e45-9a44-0541f82b89d1

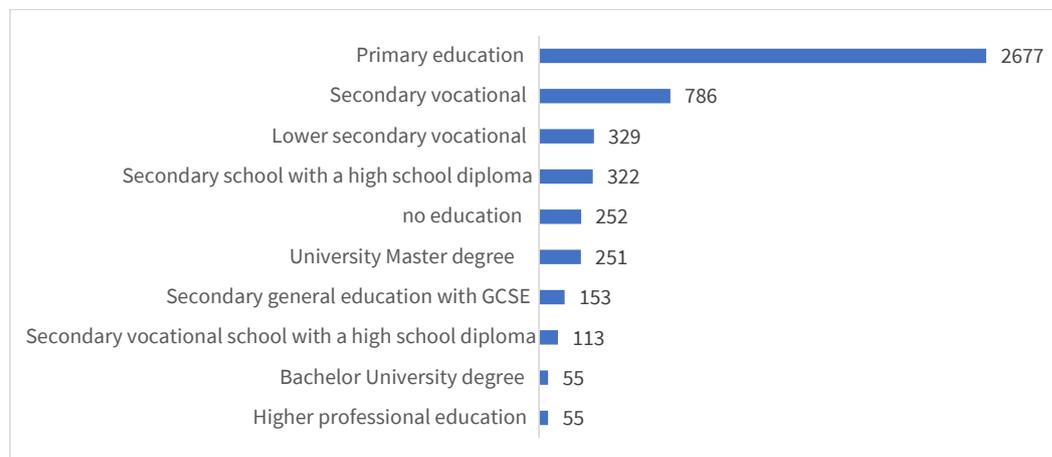
¹⁰ <https://www.witte-automotive.com/live/WITTE-ACCESS-TECHNOLOGY-Paint-Application-Ostrov-s-r-o/witte-ostov.aspx>

¹¹ <https://www.skf.com/cz>

⁵ <https://www.czso.cz/>

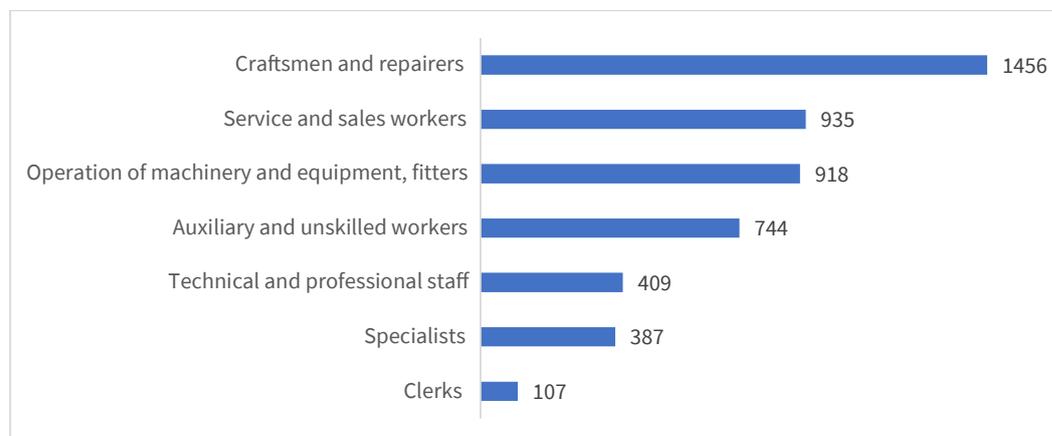
⁶ Data retrieved from Ministry of Labour and Social affairs: <https://data.mpsv.cz/web/>

Figure 3: Number of available vacancies by education level in the Karlovy Vary region, second quarter of 2020



Source: [Ministry of Labour and Social Affairs](#)

Figure 4: Number of vacancies by profession in the Karlovy Vary region



Source: [Ministry of Labour and Social Affairs](#)

In the Sokolov sub-region, a significant employer is Synthomer a.s.¹², employing around 370 people in 2019. Originally from the UK, the Czech branch of this company manufactures hazardous chemicals and highly toxic chemical substances. Another international company is Wieland Electric s.r.o, which is based in Sokolov, with headquarters in Germany. This company employs around 400 people, and is active in the manufacturing industry, assembling electronic components and boards.

In the Cheb sub-region, one of the largest employers are

Léčebné lázně Mariánské lázně a. s. (Medical Spa), and Karlovarská krajská nemocnice a.s. (the regional largest hospital). The regional hospital employed around 1,640 people in 2019¹³, including employees from abroad, in particular from the Ukraine.

Most of the **vacancies which are currently available** in the region require the potential candidates to have an educational attainment level of at least primary education (2,677 vacancies) or the secondary vocational level (786 vacancies). Figure 2 presents the number of

¹² <https://www.synthomer.com/?region=EUROPE&>

¹³ https://www.uradprace.cz/documents/37855/906811/Rocni_KVK_2019.pdf/4a3c7a43-f989-4e45-94a4-0541f82b89d1

available vacancies per education level in the Karlovy Vary region in the second quarter of 2020.

In relation to specific professions, the highest demand at present is for craftsmen and repairers (1,456 vacancies), service roles and sales workers (935 vacancies), operational roles of machinery and equipment, and fitters (918 vacancies). For details, see Figure 3.

The impact of COVID-19 on the Karlovy Vary region has been visible in particular in a reduced demand for services and production, which has had a direct impact on the industries of the region. Based on a survey conducted by the Regional Chamber of Commerce in spring 2020, the region has been impacted in all areas of its main industries: services and tourism, transportation, manufacturing, and construction sectors. Most of the businesses experienced a lower demand from the market and a decline in orders from the clients. The sector of services and tourism suffered during the spring and summer season due to the travel restrictions linked to the COVID-19 pandemic. The spa cities in particular experienced a decrease in the number of foreign tourists compared to previous years, and the restrictions and the closure of spa hotels and balneology centres have negatively affected the revenue of businesses.

The Research Institute of Balneology conducted a survey among the spa providers and balneology centres in the region in spring 2020¹⁴, showing that most of the spa providers were affected by the restrictions introduced in March 2020. This follows a special measure introduced by the Ministry of Health, forbidding the admission of new patients to spa and rehabilitation care facilities. This has had a major impact on local spa businesses. Consequently, not only spa facilities but also many hotels were temporarily closed.

Similarly, the transportation sector suffered during the spring and summer months due to the closure of borders and a lower demand for transportation services. Transportation is one of the strategic industries in the Karlovy Vary region because it connects the region to the German market. The regional manufacturing companies supply goods to the neighbouring regions in Germany, but due to the pandemic there has also been reduced demand on the international market.

The impact of the COVID-19 pandemic can be seen in the regional unemployment figures. Since April 2020, the national unemployment rate has been steadily rising, reaching 3.8% in August 2020. The national unemployment rate has increased by 0.4% between April and August 2020, but in the Karlovy Vary region the

unemployment rate has increased by 0.9%. Based on figures from May 2020, more than half (54%) of registered jobseekers have been seeking new employment for less than three months. In comparison to March 2020, the percentage of people in short-term unemployment increased by more than 70% during the first wave of the pandemic in the spring months of 2020 (March to May)¹⁵. Further, the unemployment statistics take into account only Czech residents. However, every year, many seasonal workers come from other countries, such as the Ukraine, to work in tourism, hospitality, and services that are centred in the spa cities. Seasonal workers are not included in the regional statistics but have been significantly impacted by reduced seasonal job opportunities in the Karlovy Vary region. According to the results of a regional survey¹⁶, most regional businesses have been able to sustain their workforce due to the financial support which they have received from the government support programme 'Antivirus'. Out of all respondents, only up to 15% of regional businesses have made up to 30% of their employee redundant due to the pandemic.

It was reported by those interviewed for this report that the current situation negatively impacts the employment prospects of jobseekers. The spa services and tourism sector in particular has suffered great losses in the past months due to social distancing measures and travel restrictions. Many people employed in tourism, spa services and related industries in spa cities rely on seasonal job opportunities but due to the pandemic this year, the summer season was cancelled, and many spa hotels and other service providers closed or partially closed their businesses to comply with the social distancing regulations. Compared to previous years, numbers of tourists, especially foreign tourists coming from countries such as Russia, were very low due to the travel restrictions and uncertainties related to the pandemic. In the long term, this is expected to have economic implications for the local businesses, hotels, and service providers but also for the general economic prosperity of the region.

¹⁵ <https://www.czso.cz/csu/xk/nezamestnanost-v-karlovarskem-kraji-k-315-2020-podle-mpsv>

¹⁶ <https://www.khkkk.cz/>

¹⁴ <https://www.kr-karlovarsky.cz/kultura/Stranky/odd-CR-laz/Aktivita-balneologie.aspx>

2. Current trends and developments

This section provides an overview of the main international and national policies which initiated the decarbonisation and transition of European regions, including the Karlovy Vary region. It also describes the history of coal mining in Czechia and the Karlovy Vary region, and closely describe the profile of SUAS company and profile of the current workforce, including their education, age, and length of employment.

2.1 Developments leading to decarbonisation

Czechia signed the Paris climate agreement in 2014 and also follows the EU climate and energy targets to progressively lower greenhouse gas emissions by 2030¹⁷. Therefore, decisions affecting the lignite mining industry and lowering greenhouse gas emissions took place on international, European and also national policy levels. On the national level, in 2012 the Ministry of Industry and Trade published the **National Energy Strategy** highlighting the competitiveness, sustainability and security of the energy sectors as the main priorities. The strategy recognises that the main share of energy sources are domestic sources which are dependent mostly on lignite (brown coal) and anthracite (black coal). In the long term, dependency on coal is forecast to decline gradually due to decreasing availability. According to the strategy, the reduction of the share of coal in the production of electricity and heat in Czechia should be continuous and should be carried out in the most efficient and environmentally-friendly way.

The document was updated in 2015¹⁸, outlining a long-term vision and concrete targets for the transformation of the energy sector by 2040. In Czechia, coal energy production has the dominant position in the energy sector, with almost 60% of the energy heat production dependent on the coal industry. The first priority highlighted in the strategy is to diversify the country's energy portfolio and to create more balanced mix of primary energy sources and sources of electricity production, in order to secure and stabilise the energy sector. The aim is to move away from the dominant coal energy source to other sources, such as nuclear energy: there is a target of increasing the share of nuclear energy up to 50% and also continuously increasing the share of renewable energy sources. According to the strategy,

heat energy should move away from dependency on coal energy and in the long term the share of lignite coal should be reduced from 53 petajoules (PJ) in 2010 to 18.1 PJ in 2040. The share of renewable energy in overall energy production is therefore expected to increase over the next decades. The share of heat generated from renewable energy sources is predicted to increase from 3 PJ in 2010 to 20.8 PJ in 2040. In Czechia, the main source of renewable heat energy is biomass, which is expected to generate 53% of the predicted share of renewables by 2040.

The other priorities highlighted in the strategy include supporting energy efficiency and optimising energy consumption through integrated smart solutions, strengthening energy infrastructure and international cooperation, supporting and investing in research and innovation of the energy sector, and ensuring energy security throughout the diversification and decarbonisation process.

The **Climate Protection Policy of the Czech Republic**¹⁹ prepared by the Ministry of the Environment was adopted by Government resolution in 2017. The strategy sets out targets for 2030, contributing towards gradual transition to a low emission economy by 2050.

In 2019, following the European Union legislative acts of Clean energy for all Europeans²⁰, the Czech government published a **National plan of the Czech Republic in the field of energy and climate**²¹ adjusting the emission targets for 2030, to comply with the European Green Deal policy.

2.2 The coal mining and energy sector

The history of coal mining in Czechia can be traced back to the 18th century, although the main development of the coal mining industry took place in the 19th century, enabled by the development of the railway infrastructure in the region. Black and brown coal mines have a long history in Czechia, especially in regions which are rich in natural resources such as the Moravian-Silesian region and the West-Northern region of the country. Coal mining regions have been shaped and formed over the past decades by the coal industry, and there is a strong dependency on the employment opportunities offered by this industry, which resulted in high job security for generations of the workforce in these regions.

¹⁹ https://unfccc.int/files/na/application/pdf/cze_climate_protection_policy_summary.pdf

²⁰ https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans_en

²¹ <https://www.mpo.cz/cz/energetika/strategicke-a-koncepcni-dokumenty/vnitrostatni-plan-ceske-republiky-v-oblasti-energetiky-a-klimatu--252016/>

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1582103368596&uri=CELEX:52016DC0860>

¹⁸ <https://www.mpo.cz/dokument158059.html>

This has been changing in recent years, as a result of the green policies supporting innovation in renewable sources of energy and reducing the level of emissions related to coal mining and coal processing. Inevitably, in the short and long term, this will have an impact on the employment situation of the country's coal mining regions. At the same time, decarbonisation of the regions offers a new opportunity to transition the regional energy industry from 'emission-heavy' to innovative-green energy, bringing new employment opportunities, investment and talents to these regions.

The black coal mines are located in the Upper Silesian Coal Basin in the Moravian-Silesian region, while lignite coal mines are mostly centred in the North-Western regions of the country (Northern Bohemian Basin, Sokolov Basin), and also in the South Moravian region in Hodonin. Most of the coal in Czechia is lignite (95%): in total there are four lignite companies centred around the Northern Bohemian Basin and Sokolov Basin. Based on the latest report published by Ministry of Industry and Trade in 2020, reserves of lignite are estimated to be 634.2 million tons with a lifespan of 16 years²². The share of lignite in the production of electricity and heat has been constant since 2010 and makes up around 85% of the total consumption of lignite. In Czechia, there are 44 companies responsible for the production of electricity from lignite.

The largest lignite mining company is Severoceske doly which is owned by CEZ, the largest energy provider in Czechia, which is 70% owned by the Czech government. The Sokolovska Uhelna mining company (SUAS) is the smallest of the lignite mining companies, but it has a significant position in the energy industry because it is the third-largest energy provider in the country²³.

3. The SUAS company

Sokolovska Uhelna (SUAS) was established as a private company in 1994 and its privatisation was completed in 2014. Prior to this, the company had been state-owned since 1946 under the name Brown Coal Mines and Briquetting Plants Sokolov. During this time, there were a total of 39 deep mines and 15 small quarries in operation in the Sokolovska region. Currently, there are no deep mines and the company operates two surface quarries, Jiri quarry and the smaller quarry Medard. The company also performs reclamation activities of areas affected by surface mining.

The SUAS company is one of the largest regional

²² <https://www.mpo.cz/cz/energetika/statistika/tuha-paliva/uhli-v-ceske-republice--251855/>

²³ Based on the internal document prepared for the Secretariat meeting in February 2020 by KV region

employers in the Karlovy Vary region and owns several subsidiary companies. In total, there are 20 regional companies which are fully or partially owned by SUAS stakeholders; 12 subsidiary companies are fully owned by SUAS; in another six companies SUAS owns 50% or more of the shares, and in one company SUAS holds around 25% of the shares. The focus of the subsidiary companies is diverse and includes a coal-fired plant Tisova, repairs services and maintenance of machinery and equipment, in addition to a football club, golf court, food canteen for businesses and schools in the region, hotel accommodation, outdoor swimming pool, and soap production. This diversity of interests has led to concerns raised by some of the interviewees that the partial closure of the SUAS company will have a wider effect on the region. Not only it will create redundancies in the main or subsidiary companies, but it will also affect the cultural and social investments the company has been making in the region.

Most of the subsidiaries of SUAS currently employ more than 20 persons. In total, all the fully or partially owned subsidiaries of SUAS employ around 686 people. The reduction of SUAS coal mining activities might have an economic impact on these companies as well. Additionally, other businesses and SUAS regional suppliers might be economically affected by the reduction in coal mining. More than 15 other regional business cooperate with SUAS, together employing between 230- 280 people.

3.1 SUAS and emission allowances

In 2019, the lignite production of SUAS was 5.9 million tons and has been mainly used for heat energy production. SUAS produces coal-fired electricity and heat in the Vresova coal-fired plant and the Tisova coal-fired plant, both owned by SUAS. The coal-fired plants use coal gasification to generate electricity by converting lignite into energy gas under high pressure and temperature. The thermal energy production supplies mostly the SUAS company and partially also supplies the cities in close proximity: Karlovy Vary, Chodov, Nejdeč and Nova Role.

The decision to reduce coal mining activity and to close part of the Vresova coal-fired plant was taken in autumn 2019 when the regional unemployment rate was only around 2% and there were no signs of a global pandemic. This decision was taken after an increase in prices for the greenhouse gas emission allowances paid by the company for coal activities producing CO₂ emissions. In the past years, the price for emission allowances has increased from EUR 5 to EUR 30 per tonne of CO₂. SUAS buys on average around 4.5 million tonnes of

CO2 emission allowances per year and due to the sharp increase in price, the company is not able to pay for all emissions it produces, which directly impacts its profitability²⁴.

The emission allowances are paid in the case of activities causing greenhouse gas emissions, which in the case of SUAS are mainly created during the gasification of coal. CO2 emissions are harmful for the environment and health of people, causing respiratory and cardiovascular diseases. According to the Climate Action Network Europe report from 2018²⁵, SUAS is in 30th place in terms of the most toxic coal mining companies in Europe. By closing the coal gasification part of the Vresova coal-fired plant in September 2026, the company will reduce CO2 emissions by 40% (from 3.9 million tonnes of CO2 in 2019 to 2.8 million tonnes in 2020). CO2 emissions are expected to continuously decrease to 1.8 million tonnes in 2021. The partial closure of the Vresova coal-fired plant, together with the reduction of coal mining activities, will directly impact employment in this industry: it is expected that in total more than 1,000 employees will lose their jobs in SUAS, other dependent businesses or subsidiary companies.

3.2 Current profile of the SUAS workforce

Over the past four years, **the number of employees at SUAS has been declining steadily**. In 2015, the company employed 3,225 employees compared to 2,713 employees at the end of 2019, which represents a decrease of 16% of the workforce over four years. This number is further decreasing by more than 50%, and the company will employ only about 1,500 workers in 2021. In total, more than 1,200 employees will be made redundant in 2020 and 2021.

SUAS is the **largest employer** in the Karlovy Vary region and is known for providing its employees with levels of remuneration that are higher than the regional or national averages. The monthly average salary of a SUAS employee in 2019 was EUR 1,372.28 (CZK 36,329) which is 120% of the regional average salary. Since 2010, average SUAS salaries have been always above the regional and national averages and steadily increased each year.

3.2.1 Profile of SUAS employees based on education, age, and length of employment

²⁴ <https://archiv.ihned.cz/c1-66801030-musime-se-pripraviv-na-dobu-neuhelnou-mirime-na-reality-zemedelstvi-i-odpady-rika-sef-sokolovske-uhelne>

²⁵ <https://beyond-coal.eu/last-gasp/>

²⁶ <https://www.suas.cz/aktuality/10-suas/aktuality/939-zastaveni-plynarenske-technologie-ve-vresove>

Based on the available data from 2019, the **educational profile** of SUAS employees shows that most had completed secondary education level: 61% of employees completed vocational secondary education, another 26% of employees completed a secondary vocational school with a high school diploma, 8% of employees completed basic primary education and 5% of employees completed tertiary level of education and hold a university degree.

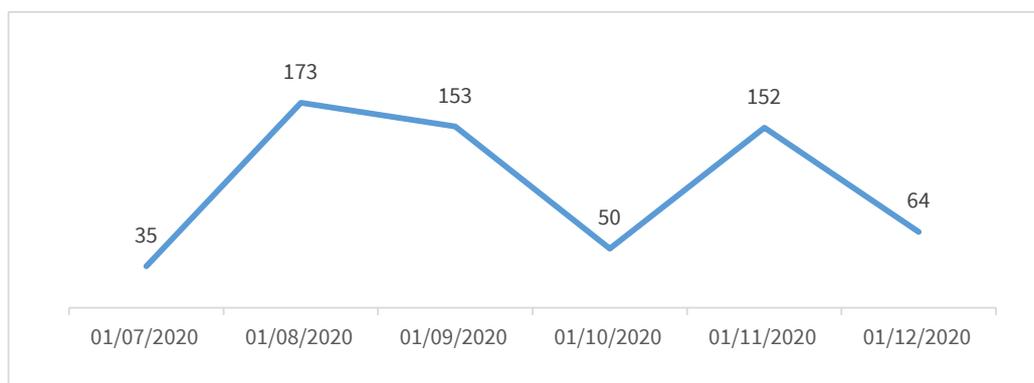
The average age of SUAS employee is 48.5 years and more than 50% of employees are in the age group 50+. The workforce of SUAS company has been progressively ageing: most of the older employees have stayed with the company throughout their professional career and proportionally not many young people have joined. Currently around 60% of employees are have been with SUAS for more than 20 years. Almost a third of SUAS employees (28%) have been with the company for 30-35 years or more, which means that they joined the company after their education was completed and have basically only worked for one employer. More importantly, data from 2019 shows that 85% of SUAS employees joined the company more than 5 years ago and therefore majority of the current workforce is used to stable work in an unchanging environment.

In summary, the profile of current SUAS employees shows that around 87% of current employees completed secondary or vocational secondary education, around half of the company's employees are above 50, and at least a third of them have been employed by the company for all of their professional life. It is reported by those interviewed that it is expected that this group of employees will be affected the most by the closure of the Vresova coal-fired plant and reduction of coal mining activities. The reasons are twofold: this subgroup of employees is used to working for one specific employer and lacks different working experience; and this subgroup will find it difficult to adapt flexibly to a new profession or workplace due to their age and in some cases due to low qualifications. On the other hand, it is believed that the subgroup of the oldest employees (60 or more) will be affected the least by the restructuring of the company because after their redundancy they will be able to bridge the few years to their retirement with severance pay from SUAS. The conditions of severance pay will be further described in the sections below.

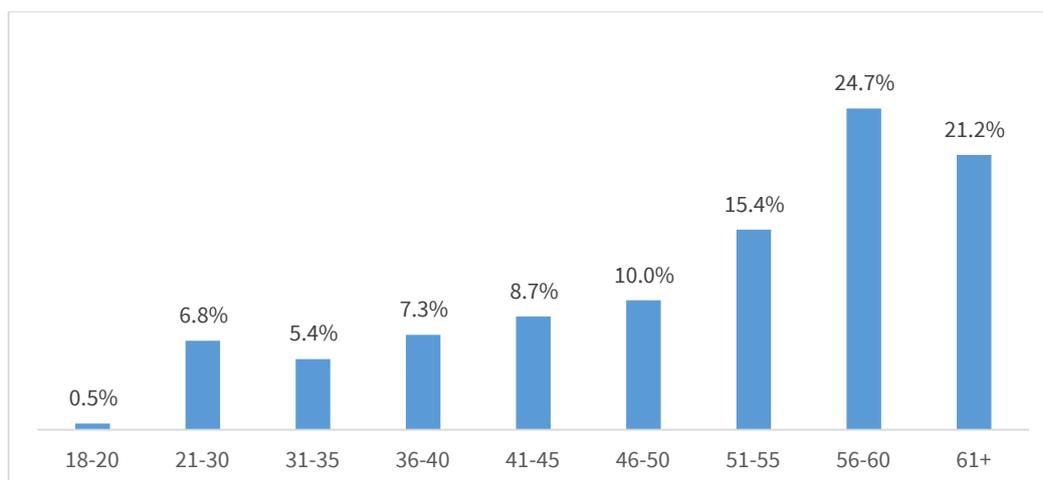
3.2.2 Location of employees and impact on cities

SUAS employs people from different regional cities and villages. However, a majority of SUAS employees (85%) are residents of Sokolov²⁷, a city with approximately 25,000 inhabitants. It is therefore expected that Sokolov will be the city most affected by the planned redundancies, although they will also affect some of the

²⁷ <http://www.sokolov.cz/>

Figure 5: Planned redundancies at SUAS in 2020

Source: Internal documents and data provided by SUAS and regional govern. office

Figure 6: Employees affected by redundancy, by age group

Source: Internal documents and data provided by SUAS and regional govern. office

local villages and cities, which have been historically developed and purpose-built for the workers at SUAS. In the 1950s in particular, the cities in close proximity to SUAS, Chodov and Sokolov, built housing estates, infrastructure and supply chain services to support the development of the coal mine and power plants.

3.3 Planned redundancies and likely effects

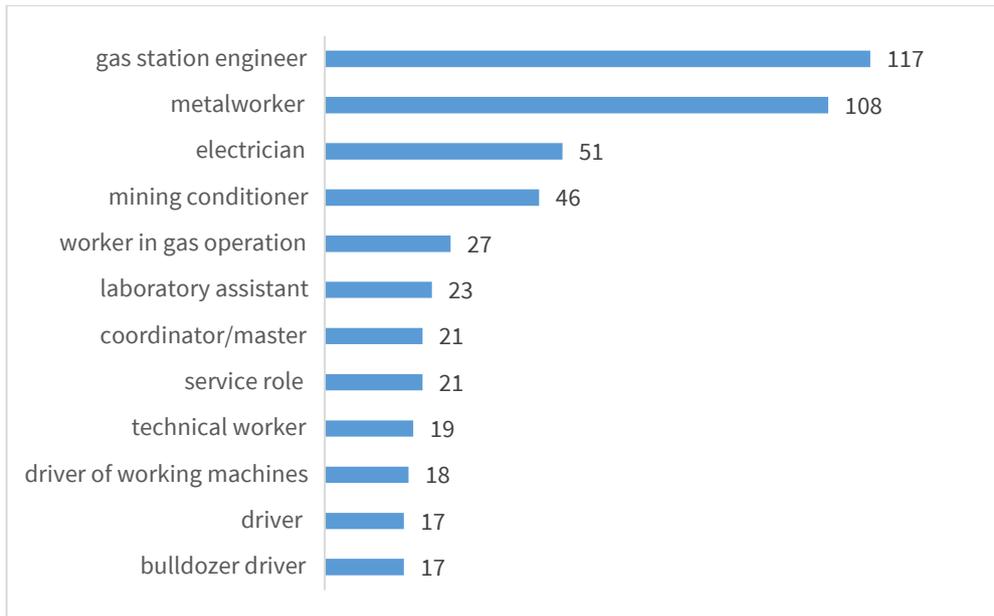
At the time of writing, it is expected that the planned redundancies for 2020/2021 will affect 643 people, of which 98% will leave SUAS by the end of 2020 as shown in Figure 5. Another 14 people are expected to leave the company in January 2021 and two more at the

beginning of 2021. However, the number of redundancies might change depending on the situation in the coming months.

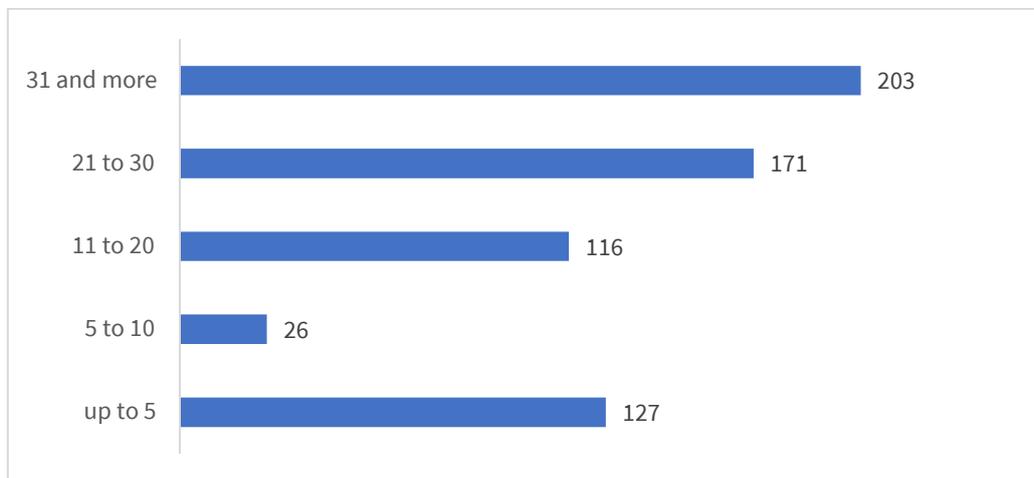
The reason for most of the redundancies (90%) will be a diminished or ceased need for the workers in the SUAS business due to the partial closure of the business.

As mentioned in the previous section, the older generation of workers (aged 50 and above) will be affected most by the collective redundancies. In total, 71% of people affected by job loss are in the age group of 46 or more, of which 46% are people in age group 56-60+, as illustrated in Figure 6.

The professions which will be terminated at SUAS in the upcoming months are gas station engineer

Figure 7: Professions of those affected by redundancy

Source: Internal documents and data provided by SUAS and regional govern. office

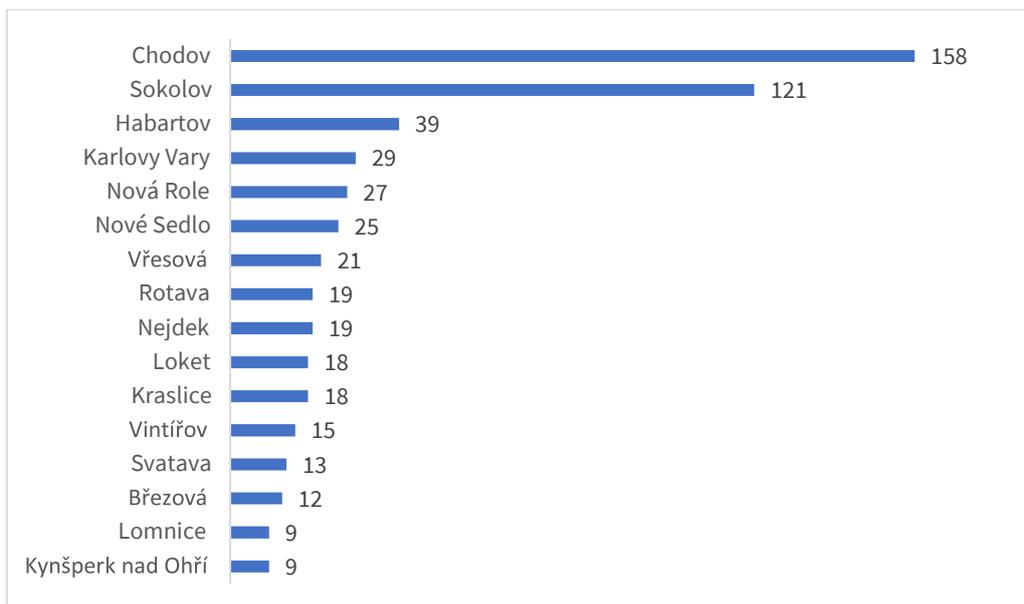
Figure 8: Number of years of employment for affected employees

Source: Internal documents and data provided by SUAS and regional govern. office

(approximately 18% of the redundancies), followed by metalworker (17%), electrician (8%) and mining coordinator (7%). In total, around 50 different job roles will be ceased among the 643 employees leaving the company. Figure 7 presents the most common professions of people affected by the redundancies.

A key factor which makes the collective redundancy exercise challenging is the fact that most of the employees who will leave the company are used to

working for only one employer and therefore have no other work-related experience. The highest share of people who will be made redundant, 32%, are employees who have been with the company for more than 31 years, which means for most of their professional life. Another 27% are people who have been employed by SUAS for 20 to 30 years, and 18% who have been employed by the company for 10 to 20 years. The last significant share of 20% of the employees have been employed by SUAS for up to 5 years, and therefore this subgroup is most

Figure 9: Number of redundancies per city

Source: Internal documents and data provided by SUAS and regional govern. office

likely to be the younger generation of employees, who will be immediately seeking new job opportunities and requalification.

Figure 8 presents the number of years of employment of employees who will be made redundant. This data correlates with the previous graph, showing that the older generation of employees will be affected the most.

The distribution of the redundancies in the region will be disproportionate, as many of the SUAS employees are residents of cities in a close proximity to the coal mine and coal-fired plants. The most affected cities will be Sokolov and Chodov, cities purposefully developed in the second half of 20th century to attract more workers from Czechia to move to the Karlovy Vary region and work in the coal mining industry. As presented in the SAUS workforce profile above, most of the current employees are from these two cities and therefore this is also reflected in high numbers of redundancies in these two areas. Around 25% of employees who will leave the company are residents of Chodov, and another 19% are residents of Sokolov. The rest of the employees affected are evenly redistributed around other cities and villages, ranging from 2% to 6% of the total. The numbers of redundancies per city are presented in Figure 9 (total 643).

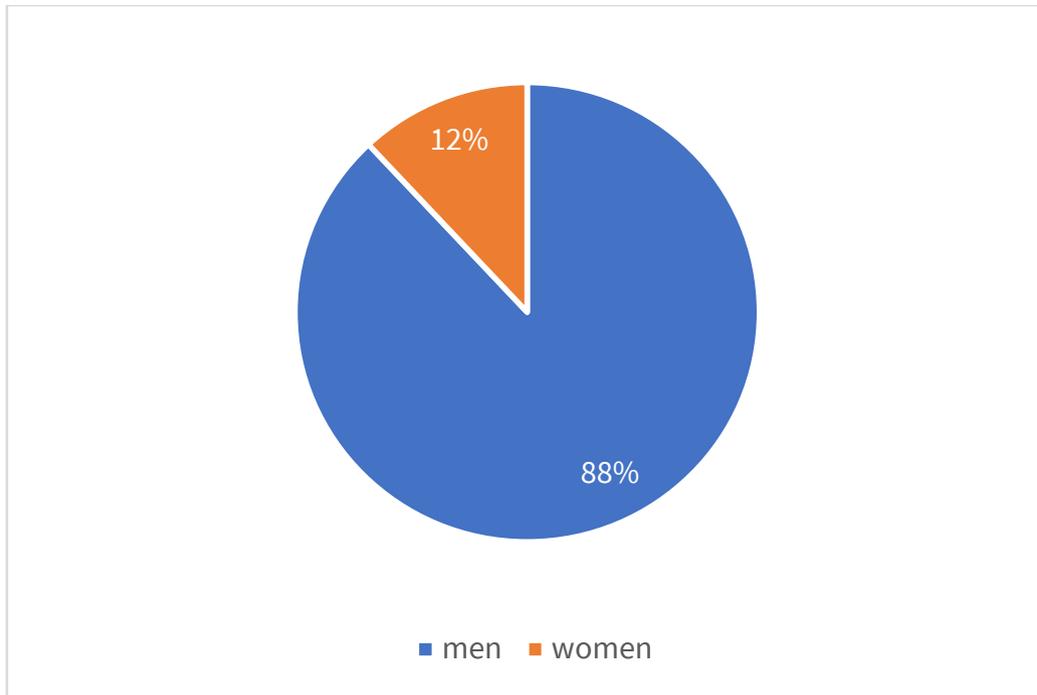
Another factor disproportionately affecting regional employment is gender. Due to the nature of manual heavy work in coal mines and power plants, most of the employees are men. This is reflected in the share

of redundancies which will impact the unemployment figures of the region in the upcoming months as more men than women will be searching for new employment opportunities. In total, out of 643 redundancies, around 566 employees leaving SUAS are men and 77 are women. Figure 10 shows the percentage of the redundancies by gender.

Based on the profile of workers who will leave the company, it is clear that mostly older generations, men and those who have been employed by SUAS for many years will be affected most severely. The wider effect on the regional employment landscape will be the uneven distribution of redundancies affecting particularly cities in close proximity to SUAS.

3.3.1 Planned support for displaced workers

The SUAS company will provide severance pay to all employees who will be made redundant, in proportion to their years of employment in the company. Considering the share of workers who will be seeking reemployment and requalification in the upcoming weeks and months, based on the conversations with those interviewed for this study, this will mostly include the younger generations of workers who have most of their professional life ahead of them. The regional labour office has set up a support programme to help the workers to find new employment by connecting them to potential employers and offering them requalification courses. This programme will be further described in the following sections.

Figure 10: Percentage of redundancies by gender

Source: Internal documents and data provided by SUAS and regional govern. office

By contrast, the older workers, who will also be offered requalification measures and other forms of support from the labour office, are less likely to search for new employment opportunities. This is mostly because they are of pre-retirement age and will receive a generous severance pay which will help them to bridge the few remaining years until their retirement. However, even though the older workers might not be immediately impacted by loss of regular income compared to younger workers, they will still be equally affected by the loss of occupation, daily routine and the social interactions which might negatively impact their mental health.

4. Key challenges for the Karlovy Vary region

This section examines the current key challenges for Karlovy Vary and to what extent it will impact the employment landscape of the region in the coming months. The challenges centre on attracting inward investment, diversifying the local economy and moving away from reliance on one employer, developing a common vision for the region.

4.1 Attracting inward investment

SUAS has for decades been the dominant employer in the region and many subsidiary companies and other businesses are dependent on the economic activity of SUAS. Therefore, the region is now facing a major economic challenge in terms of how to sustain economic activity and growth in the context of the winding down of the activities of one of the main regional industries.

SUAS owns shares in other regional companies and therefore its plan is to diversify its portfolio of activities and to invest in renewable energy sources to move towards green energy in the long term. In collaboration with the regional government, SUAS is also seeking new inward investments to utilise its property and land in the region. Recently, it agreed to a collaboration with BMW Group, one of the largest German auto manufacturers, to set up research and development facilities in Karlovy Vary region near Sokolov. SUAS sold a 500-hectare plot of land to BMW Group to build a research centre for innovation and modernisation of automotive engineering, including electrification, digitalisation, and automated driving systems²⁸. BMW Group has already started building these facilities in the region and the

²⁸ <https://www.bizjournals.com/sanfrancisco/news/2017/12/22/bmw-chooses-czech-republic-for-new-automotive.html>

centre is expected to become operational in 2022-2023. There is a possibility that the creation of this research centre in the region will attract more inward investment, will enable collaboration with Czech research centres and universities, and will create competitive job opportunities for talented and highly educated people.

4.2 Lack of innovation and economic diversity

Another challenge linked to the lack of inward investment is that the focus and dependency on one major business has delayed innovation and growth of the other regional companies in the past decades. The region, which has become known for its coal mining business, will need to find new economic opportunities to diversify the portfolio of economic activities and support innovation and entrepreneurship in other sectors and traditional industries.

The challenge which the region is facing now is how to accelerate the growth of the existing businesses, diversify the economic profile of the region, and support entrepreneurship and creation of new businesses in order to create new job opportunities. Based on the information from those interviewed for this report, there are several promising opportunities which have the potential to stimulate more innovation and entrepreneurship in the region, and support the creation of jobs, which will be further described in the sections below.

4.3 Common vision and strategy for the region

To create more diverse palette of economic activities in the region, it is necessary for all stakeholders to understand the vision for the region. The challenge here is to bring all stakeholders together and answer the question What type of economic activity do we want to have in the region in the coming decades? It was reported by some of the interviewees for this report that there is a need for a common vision which would help to transform, redesign and rebuild the region, bringing everyone together and pulling in the same direction. Once a long-term vision and profile for the region is in place, it will be easier for investors to understand the region's priorities, and the sectoral focus of the region in the coming years. This concrete long-term vision will yield clarity for investors and start-ups and will also allow the regional government to set up targeted support mechanisms for specific industries and innovative

businesses to enable and support their growth and consequently fulfil the long-term vision of the region.

At present, on the basis of discussions with interviewees, it would appear that the vision is not yet in place in any meaningful and concrete sense, although there is recognition of the need to support the creation of 'attractive' jobs for highly skilled people and to build decent housing for them. Some interviewees pointed to a lack of political will to implement ideas and a lack of funding to support regional development.

4.4 Impact of COVID-19

Since spring 2020, the pandemic has had a significant and ongoing effect on businesses and unemployment in the Karlovy Vary region. Based on the reflections of those interviewed for this report, the pandemic has had the most negative economic impact on the tourism sector; many hotels and related businesses, especially in the spa cities, have been closed or have experienced very low demand. Consequently, seasonal jobs evaporated and seasonal workers who used to come to the spa cities to support the summer season were left without short-term employment opportunities this year. Seasonal workers are not eligible for financial support from the labour office as they are not registered as unemployed: those who are registered are eligible for financial support of approximately EUR 340 (CZK 9 019) a month²⁹.

The COVID-19 situation is creating additional barriers and challenges for the former SUAS employees in relation to their efforts to find new employment in the current circumstances. However, despite the fact that the regional unemployment has increased because of the pandemic, it was reported by those interviewed for this report that the accelerated closure of SUAS will, in all likelihood, affect regional unemployment more than the pandemic.

As a response to the pandemic, the government's Antivirus programme was launched in spring 2020 as a response to the COVID-19 pandemic. It is designed to financially support businesses, protect employees from job loss and avoid redundancies. The Ministry of Labour and Social Affairs has granted a financial contribution to those employees whose economic activity has been ceased or stopped due to the pandemic and offered them a financial contribution covering partial (60%) or, in special cases, full wages. Over the past few months, the government has paid out over EUR 737 million (20 billion CZK) under the Antivirus programme, supporting more than 700,000 employees in approximately 60,000

²⁹ <https://www.czso.cz/csu/xk/nezamestnanost-v-karlovarskem-kraji-k-315-2020-podle-mpsv>

companies³⁰.

In addition, in June 2020 the government launched a special programme supporting the spa industry. The programme, entitled 'COVID-Spa support', encourages Czech people to travel to spa cities in order to counterbalance the lack of international tourists. As part of this programme, the government is giving away vouchers with a financial contribution of approximately EUR 150 (4,000 CZK) to Czech customers who book a minimum of six nights in any of the Czech spa resorts between July and December 2020. The government is planning to issue up to 250,000 vouchers with an overall budget of EUR 37 million (1 billion CZK)³¹.

4.5 Reliance on a major employer

As described in the previous sections, SUAS has been the largest employer in the region for several generations of employees and therefore holds a dominant position on the labour market. In addition, the pay rates offered by SUAS have been above regional and national averages for past 10 years. The workers who are leaving the company are therefore not only expected to find new employment but also to adapt to a new financial situation, as they are not likely to be able to find employment that pays as well as SUAS. This will be the case even if the new jobs require the same professional qualifications, skills and work experience. This is, therefore, likely to impact the motivation and living standards of these former SUAS employees.

4.6 Flight from the region and lack of tertiary-educated professionals

Karlovy Vary is the only region in Czechia which does not have a university. Therefore, young people who want to enter tertiary education have to move out of the region and attend universities outside of the Karlovy Vary region. Those interviewed for this report noted that this is seen as one of the main weaknesses of the region: once young people have left for university they usually do not come back to the region once they have finished their studies. They usually begin work in regions with more opportunities and higher wages, due to the limited job opportunities for highly skilled and educated people in the Karlovy Vary region.

The region has been trying to deal with the problem of losing its young people for several years. The challenge

is to find incentives for young people to come back to the Karlovy Vary region, thus avoiding a brain drain of young people, which contributes to the ageing of the region's population. Further, it was reported in several interviews that there is a lack of tertiary-educated professionals, especially doctors and teachers in the region. In 2018, the numbers of people moving out of the region were higher than those moving in (-50 people overall)³². A similar trend is seen in terms of the number of people born in the region compared to the number of deaths. The challenge for the region is therefore not only to tempt the younger generation back after their tertiary graduation but also to attract professionals and talented people to fill the gap in demand for professionals which are currently missing on the labour market. The essential professions with a lack of professionals are doctors, nurses and teachers. As at the second quarter of 2020, the shortage of highly educated professionals include general and specialist doctors (shortage of more than 110), primary and secondary teachers (shortage of 87), language teachers (shortage of 24), and special needs educators (shortage of 13)³³.

4.7 Uneven impact of unemployment

Many of the current employees of SUAS are residents of Chodov and Sokolov. Therefore, as a consequence of the SUAS collective redundancy exercise, these two cities are expected to be significantly affected by unemployment. In the 1960s, as noted above, both cities expanded and built housing estate for the SUAS workforce, which attracted many people to the region. Currently, these cities are struggling with social inequalities, segregation of the Roma communities and a high proportion of unemployed people who depend on social benefits and have low motivation to seek employment. Therefore, the SUAS collective redundancies will bring a new challenge to both cities.

5. Good practice examples from around the world

Many regions across the EU are facing similar challenges to those faced by Karlovy Vary: many are in the midst of dealing with the shutdown of carbon-based fuel extraction, such as coal, and trying to support the workers that are directly affected by this. While each

³⁰ <https://www.mpsv.cz/antivirus>

³¹ <https://www.mmr.cz/cs/ostatni/web/novinky/vlada-schvalila-vouchery-do-lazni-program-covid>

³² https://www.czso.cz/csu/xk/charakteristika_karlovarskeho_kraje

³³ <https://data.mpsv.cz/web/data/analiza-neobzazenosti-volnych-pracovnich-mist-podle-profese>

region is unique in terms of its history, infrastructure and other characteristics, there are many shared challenges and an overview of the ways in which other regions are dealing with this may help the Karlovy Vary region in its own strategy. This section contains a selection of examples from other countries, focusing on the employment and skills aspects of transition.

5.1 Task force on just transition, Canada

In 2016, the Canadian government decided to accelerate the phase-out of coal burning as a means to generate electricity, setting a target for 90% of the country's power to be generated by non-emitting sources (in terms of CO₂) by 2030. Four Canadian provinces still produce electricity from coal – Alberta (AB), Nova Scotia (NS), New Brunswick (NB), and Saskatchewan (SK). In these provinces, around 3,900 workers are directly employed in the coal sector. Aware of the geographically and socially uneven distribution of the negative effects of a coal-phase out, the Canadian government established the “Task Force on Just Transition for Canadian Coal and Power Workers and Communities”. This task force was instructed to provide knowledge, options, and recommendations to the Canadian Minister of Environment and Climate Change.

Early in 2019, the task force presented their results in two final reports. The members of the task force had travelled to 15 communities, met with more than 80 stakeholders, hosted eight public engagement sessions for the general public and conducted study tours to five power plants, two coal mines and one port in the affected regions. The information gathered was then summed up in 10 recommendations on structuring a just transition plan for the phase-out of coal. The recommendations relating to support for workers were:

- Create a pension bridging programme for workers who will retire earlier than planned due to the coal phaseout.
- Create a detailed and publicly available inventory with labour market information pertaining to coal workers, such as skills profiles, demographics, locations, and current and potential employers.
- Create a comprehensive funding programme for workers staying in the labour market to address their needs across the stages of securing a new job, including income support, education and skills building, re-employment, and mobility.

One of the major achievements of the task force was

to take affected workers and their families, employers, labour union representatives, municipalities, community members, business representatives, and economic development and non-governmental organisations seriously by engaging directly with them. A further aim of this effort was also to ensure recognition for affected workers and communities and to make their voices heard.

In the 2019 national budget, in response to the task force's recommendations, the government devotes Can\$35 million (CZK 604 million or EUR 22.3 million) over the next five years to create worker transition centres, and to explore new ways to protect wages and pensions. Furthermore, a \$150 million infrastructure fund is to be created – starting in 2020-21– to support priority projects and economic diversification in impacted communities.

5.1.1 Relevance for Karlovy Vary

This case is an example of how engagement with those affected by the restructuring ensured that their voice was heard and that support could then be tailored to the needs of individuals. The task force was instrumental in ensuring that public money was available to support the transition of workers who had been made redundant and to ensure that they had financial means to support them while either searching for alternative employment or bridging the gap between redundancy and pension eligibility.

5.2 Phase-out of lignite mining and coal-fired power generation in Lusatia, Germany

The region of Lusatia has already undergone much restructuring, relating in particular to the reunification of west and east Germany. Work in lignite mining was a source of pride in Lusatia, as it powered eastern Germany, but reunification and privatisation in 1989 meant greater competition, related to the higher productivity levels in the West. This led to a 90 per cent drop in employment within 10 years. In 1990, 80,000 people worked in the Lusatian lignite industry, dropping to 20,000 by 1995. At present, the remaining four mines and four power plants in Lusatia are owned by the Czech energy company LEAG, which operates four open-cast mines. Overall, in Lusatia 13,245 jobs are directly or indirectly related to the brown-coal sector. Direct jobs in the energy sector in Lusatia are of high quality and are

paid well compared with other employment prospects in the region. Under the Coal-Exit Commission, a number of employment and skills recommendations for federal actions have been put forward for the region, which include: job guarantees for employees and apprentices, including binding collective agreements to ensure placement in skilled jobs and compensation for lower wages and provide apprenticeships and further training; compensation for financial losses or early retirement; assistance in obtaining adjustment benefit; and compensation for pension deductions or other early retirement factors.

The compromise reached by the Coal-Exit Commission includes a commitment to phasing out lignite by 2038 and a €40 billion Just Transition Fund committed to the Lusatia region. However, there are some questions over the implementation of this plan. The UK thinktank IPPR notes that the concept of Just Transition usually refers to support for current workers, but stresses that any discussions of justice and fairness must also consider the rights and livelihoods of future generations and future workers. It also notes that it is not yet clear how the €40 billion will be distributed and what specific transitional activities it will support. It points to Cottbus, the second largest city in the Brandenburg province and a key employer in the Lusatia region, where there are plans to redevelop an old open cast mine into a scenic lake and new urban city centre. However, the report notes that it is unclear how the workers from this mine and people from the wider community may be involved in these plans: “Economic development of a region may increase employment opportunities in general, but it does not specifically support those who may lose out”³⁴.

5.2.1 Relevance for Karlovy Vary

This region is geographically close to Karlovy Vary and the operations here also focus on lignite. The support plans for the significant numbers of displaced workers in this case include a wide range of employment and skills development recommendations for the affected workers. These are supported by binding collective agreements, which also ensure compensation for the lower wages paid by the alternative jobs, and which also provide for further training in order to help employees to move into alternative employment.

³⁴ <https://www.ippr.org/blog/a-just-transition-lusatia-lignite-and-lessons-learned>

5.3 Phase-out of hard coal mining in the German Ruhr Valley (Ruhrgebiet)

The Ruhr District is a large, densely populated and heavily urbanised region in the German state of North Rhine-Westphalia (NRW). The Ruhr developed economically through its historical dependence on coal mining, coal power generation and coal-reliant heavy industries such as steel production: hard coal has been central to the culture of the state of NRW and Germany for 200 years. From 1990, Germany started to reduce coal subsidies, which led to a tripartite agreement in 2007 to completely phase out hard coal mining in the Ruhr and adjacent regions by 2018. Employment in hard coal mining in the area was radically downsized, from 473,000 in 1957 to 11,448 by the end of 2013 and then to zero by 21 December 2018.

A skills audit was conducted of the region and workers in the coal and steel industry, uncovering a regional ‘hidden’ knowledge base that was skilled and innovative in renewable technology, energy efficiency, renewable resources, recycling and waste combustion. These skills had been honed after decades of work in building mining components, managing the energy resources needed by the coal and steel industries, and mitigating the environmental waste they produced.

The area has undergone permanent structural change over the last 60 years. It has achieved a fundamental transformation from coal production and steel to a knowledge-based economy in a region of 5.4 million inhabitants that, until 1962, had no university. The regional economy now has a diverse profile, including environmental compliance, eco-tourism, several leading universities, renewable energy manufacturing and high-tech hubs.

5.3.1 Relevance for Karlovy Vary

The case of the Ruhr is well-known and spans a number of decades, involving the displacement of a large number of workers. It is now possible to view the results of this transition projects, and this case shows that the phase-out of coal mining is possible, with an emphasis on no worker left behind, clear social benefits for a region and environmentally sustainable alternatives. In terms of skills development, workers had access to qualification/requalification through training and on-the-job certification. This case also contained significant public investment in higher-education institutions and technology centres, which enabled the region to lay the foundations of a knowledge-based economy as an alternative.

6. Identification and assessment of key intervention areas in the short term

6.1 Severance payments

Severance payments are a key component of short-term financial support, enabling workers to bridge the gap between leaving their employer and finding alternative employment. The severance packages offered by SUAS will therefore be very important in ensuring peace of mind for redundant workers in the short term. In this case, SUAS will pay severance pay to all workers affected by redundancy. Severance pay will be calculated based on years of service; those employed for up to 10 years will receive six times their monthly wage, those employed for 10-20 years will receive eight times their monthly wage, those employed for 20-30 years will receive 10 times their monthly wage, and those employed for more than 30 years will receive 12 times their monthly wage. Based on the profiles of workers who will leave SUAS, more than a third (32%) will receive the highest level of severance pay, and almost a second third (27%) will reach the severance pay linked to service levels of 20-30 years.

This means that approximately two-thirds of employees leaving SUAS in the upcoming months will receive financial support which will provide them with an equivalent of 10 or 12 months' pay. This will help the former SUAS employees to financially bridge the time between leaving the company and finding a new job opportunity in the region.

The last significant share of employees leaving SUAS is divided into 18% of those who will receive severance pay for 10-20 years of employment, and higher share of 24% of those who will receive support for up to 10 years of their employment in SUAS. These groups of former SUAS employees will receive a severance payment of 6-8 months' pay. Compared to the group receiving the financial support of 10-12 months' pay, this group will have less time to find alternative employment. However, this group will most likely include younger workers who are likely to be more flexible and adaptable to a new environment, open to change and keen to upgrade their qualification level through training. This group of workers will need more support from the labour office in the short term and they will benefit the most from being connected to potential new employers in the region and receiving employment support and requalification help from the regional labour offices.

It should be noted that severance pay is a one-off payment and therefore one municipality in the region is offering workers financial management advice on how to manage this lump sum wisely.

6.2 Tailored financial support

SUAS and the regional government, in cooperation with the government, are currently preparing additional financial support for former SUAS employees. Since 2016, the state offers financial support to former workers of coal and uranium mining businesses who have lost their jobs due to restructuring and the reduction in mining activities³⁵. Currently, this support is available to 10 mining companies in Czechia. Those who are eligible for this will receive a monthly contribution of EUR 196 (5,300 CZK). The duration of financial support is calculated based on years of service and is provided to workers who have been employed by coal mining companies for a minimum of two years. The minimum financial support is three months for those employed for fewer than five years, and the maximum support is up to 60 months for those aged 50 or more, and have been employed in the mining industry for 25 years or more³⁶.

6.3 Outplacement support

Based on the information from those interviewed for this report, SUAS has established a good relationship with the regional employment offices and is supporting the workers who will leave the company as much as it can. In addition to severance pay, the company is collaborating closely with the mayors of the most affected cities, Sokolov and Chodov. For example, it has helped to organise an employment fair in which workers can learn about employment vacancies, and connect to employers in the region. It is also actively participating in the implementation of **outplacement project** that aims to help workers to transition from SUAS to another regional employer. This outplacement project is a nationwide support measure that was set up and implemented by the regional government in the Karlovy Vary region in June 2020.

The first cohort of SUAS workers was recruited onto this programme in June 2020. In August 2020, there were around 12 participants from SUAS who had enrolled in this project after being made redundant. SUAS is actively supporting all of its employees who will be affected by the collective redundancy exercise

³⁵ This public financial support is available under 342/2016 Government Order on the Contribution to the Mitigation of Social Impacts Related to Restructuring or Reduction of Activities of Legal Entities Engaged in Coal or Uranium Mining.

³⁶ <https://www.zakonyprolidi.cz/cs/2016-342>

to take part in outplacement project and has formed a close collaboration with the Karlovy Vary labour office. The career counsellor from the regional labour office organises seminars in SUAS twice a week, during which employees are informed about the outplacement project and other types of support available.

This project is dependent on the available vacancies and job opportunities in the region, which are, however, at the moment negatively impacted by the pandemic. Therefore, this support measure will mostly benefit those SUAS workers who will receive the longer-term financial support in the form of higher severance pay from SUAS and therefore will not need to seek employment immediately. On the other hand, this group of former SUAS workers might need specialised and more tailored support related to financial management, or mental health. In Chodov, the mayor has proactively set up a Citizens Advice centre to help and provide support to people who are struggling with their new situation of being unemployed.

The support which the city is currently offering to former SUAS workers, and generally to people who are unemployed, includes financial advice, legal advice, debt avoidance and management, and mental health support from psychologists and motivational trainers. The support is available to residents of Chodov and the surrounding area from September 2020 onwards. Providing such support locally will help to organise and manage support mechanisms and also effectively monitor those people who need the help the most. These mental and financial support mechanisms will in particular benefit the older former SUAS employees, who are more likely to struggle with the lack of occupation and social interaction which they previously experienced in the workplace.

6.4 Upskilling/training opportunities

The aim of the outplacement project described above is to help companies that are undergoing structural changes and which are forced to lay off their employees. The project focuses on increasing the chances of redundant employees to find a new job by monitoring their skills, offering requalification and training, career counselling and connecting them to employers based on their skills profile.

This support is based on close monitoring of the unemployment situation and close collaboration between labour offices and employers. Regional labour offices are responsible for the implementation of this

project and for offering this support to the employers and former employees³⁷.

6.5 Encouraging employers to hire former coal sector workers

In addition to the support under the outplacement project described above, employers that hire a new employee through the outplacement project will receive a monthly contribution of up to EUR 550 (15,000 CZK) supporting the salary for the first nine months of the new hiring.

6.6. Job opportunities in alternative areas

As noted above, the spa and tourism sector has suffered significantly from the COVID-19 pandemic and is unlikely to be in a position to offer significant levels of employment to former SUAS workers. In addition, there is likely to be a mismatch between the skills and competences required for work at SUAS and those that are needed for a customer serviced-focused sector such as tourism. There may, however, be some longer-term opportunities in the tourism and spa sector for some of the younger former SUAS workers.

Notwithstanding this, there are two initiatives that are being created in the Karlovy Vary region that may be able to offer new opportunities and attract some inward investment in the longer term. These are the Science and Technology Park of the Karlovy Vary Region and the Information and Education Centre of the Karlovy Vary Region. These initiatives will be explored in greater detail in the follow-up report to this report, which will examine longer-term issues.

There are a number of vacancies in other sectors in the region, as shown by Figure 3. For example, there is high demand for craftworkers and repairers (1,456 vacancies), and also for service roles and sales workers (935 vacancies), in addition to demand for people to work in operational roles in relation to machinery and equipment, including fitters (918 vacancies).

More specifically, sectors that may offer employment opportunities to SUAS workers include the public sector, and particular public transport jobs, such as bus drivers. There may also be opportunities in the retail sector, as noted above, and in construction and trades. There may also be opportunities in the agriculture sector, including high-value market gardening.

³⁷ <https://www.uradprace.cz/web/cz/outplacement-out->

New business start-ups are a key way in which to grow and diversify a region's economy. If entrepreneurs can be encouraged and supported, they will be able to grow their business and, in turn, be able to provide additional employment for the region.

This section has summarised the main areas of short-term intervention in the region, designed to address the key short-term challenges that the region faces. These are based on ensuring that workers are financially supported in the short term through severance payments, that they are supported in their immediate job search through outplacement support and skills assessment, and that all alternative employment avenues, such as alternative sectors and employers, are explored. As we have seen, although there are many challenges, there are also a number of opportunities in terms of the future of employment in this region. The next section contains some recommendations on how to address these challenges and make the most of the available opportunities.

7. Recommendations

This section sets out some recommendations to support the region's employment and skills response to the closure of SUAS and to help fill some of the current gaps in terms of the measures already in place.

- **Engagement and dialogue.** It is important that there is meaningful dialogue between the affected workers and their representatives on the one hand, and the network of support institutions on the other. The support network includes SUAS itself, the regional employment office, representatives of the main cities affected, training providers and counsellors. SUAS can, for example, coordinate the main actors, or working groups could be set up, comprising representatives of all main actors. These working groups could then set up more detailed engagement channels and processes.
- **Organising the engagement.** It is important that the lines of communication are clear and that the governance arrangements are transparent, so that all parties know who is responsible for which elements. This will enable effective packages of support to be developed to help displaced workers. The involved parties can contribute most effectively when they are working as a team within a structured approach. Regional authorities could, for example, take a lead role, draw up a timetable and assign roles to the main partners.
- **Closer collaboration** between the regional employment office and the regional chamber of commerce of the Karlovy Vary Region would be a very positive development. The regional chamber of commerce is successfully supporting the creation of new businesses and provides tailored support to start-ups and entrepreneurs³⁸. It is also offering consulting support in unemployment, training and educational programmes for individuals and companies. The goals of these two organisations are therefore aligned and a closer collaboration between the regional employment office and Regional Chamber of Commerce will yield transparency about available programmes and further strengthen regional support mechanisms.
- **Tailoring support to the individual situation of workers is also vital.** At present, many of the measures being prepared or implemented tend to be quite broad, encompassing all affected SUAS workers. Therefore, **tailored support focused on the needs of different subgroups would increase effectiveness of support.** For example, a wider range of smaller activities could be developed, rather than SUAS focusing support on one or two broader measures, such as the outplacement project.
- **Support for older workers.** In this case, more than half of the redundant workers are over the age of 50 and just under a third have worked for the company for between 30 and 35 years. These workers are unlikely to find alternative employment that pays as well as their former job at SUAS and are also likely to be less motivated to acquire new skills in order to find new work. For this group of workers, therefore, **bridging the gap between now and retirement is likely to be the focus**, both in terms of finances and also mental wellbeing. This could include some type of employment, but could also include other activities such as voluntary work. They are likely to need advice on financial management and available financial support mechanisms. General advice and counselling on adapting to a new situation will also be needed.
- **Support for younger workers.** Younger workers who are being made redundant are in a different position: they have more of their careers ahead of them and are likely to be motivated to engage with training and requalification activities. For these workers, the focus should be on **general career advice, a skills audit, and offering advice and**

³⁸ <https://www.khkkk.cz/podpora-podnikani/podpora-zacinajici-podnikatele-rozjed-byznys/>

guidance on training and reskilling, in addition to outplacement activities such as help with CVs, job search and interview techniques.

- **Short-term financial bridging.** Although there is currently no provision for this, in order to offer more financial support and security to the displaced workers in the short term, it may be helpful to consider some type of fixed-term universal basic income for all workers following their redundancy. This would provide them with financial stability over a fixed term, which may help them to explore other and more creative options, such as business start-ups, or training that supports career change.
- Although the tourism industry in this region is currently suffering from the effects of COVID-19, it is likely to recover in the longer term. Karlovy Vary is fortunate in that an alternative industry is present in the region. Although the tourist sector is unlikely to be able to employ many of the redundant SUAS workers in the short term, when it recovers, **there may be opportunities for some of the younger workers, and this should be borne in mind when offering training and upskilling** to the younger cohort of workers, although there would need to be a focus on the development of soft skills and interpersonal skills. Likewise, the science and technology park and the plastics manufacturing industry that are setting up and expanding in the region may be able to offer employment to those who have the right types of skills and qualifications.

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