



ABSLS

ASSOCIATION OF BUSINESS SERVICE LEADERS

White Paper 2016

*The future
of the Business Services sector
in the Czech Republic*



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Introduction. Czech Business Services.

The Czech Republic is one of the key target destinations for business service centres in Europe. Investors recognize the Czech Republic for the availability of the qualified workforce and excellent coverage of foreign languages. They also find here good infrastructure and competitive costs as well as political and economic stability.

Another important aspect that influences investor decisions is our cultural and geographical proximity within Europe, as the majority of the services provided by the centers target end customers who are located in Europe. Lastly, the fact that Czech Republic became a member of European Union in 2004 is of paramount importance. Most of the investors require the target countries for business service centers to comply with EU data privacy and protection rules – something that is difficult to achieve in a country outside of EU.

Currently there are more than 180 business service centers in the Czech Republic. The centers are located in the country in three main hubs: Prague, Brno and Ostrava. These three locations cover around 80% of the market. Other popular locations are Olomouc, Pardubice and Plzeň. The rest of the centers are spread across the country in locations often connected to other business activities of their companies such as production plants, logistic centers, etc.

In the last two years the employment in the sector in the Czech Republic has increased by 30% from 50.000 in 2013 to 65.000 employees in 2015. The growth was driven by establishing new centers as well as by the growth of existing centers. We predict that demand for new service centers will continue to grow at 15% per annum and Czech business centres will be employing over 100.000 people by the year 2020. Currently the sector creates over \$3billion or 75 billion of Czech crowns and represents over 1.5% of the total Czech Republic GDP, making services a significant contributor to Czech business and future success.

Talent for Growth. What do we need to succeed?

The Business Services sector is growing fast and requires a strong supply of graduates and experienced talents to provide the highest level of global services. Czech business centers are among the most advanced in the world and provide excellent career paths for Czech and International employees. To support the continued growth of the sector, we will need to see improvements in four key areas:

1. Education

2. International Talent

3. Labour Affairs

4. Regional Development

This paper sets out the ideas of our ABSL members in these areas, together with our recommendations on how we can work with the government, ministries, universities and other sponsors to ensure that the Czech Republic maintains its leading position as a global outsourcing success story.



Ota Kulhánek
President of ABSL

1. Education

The availability of a skilled workforce is the top critical decision factor for investors to open or expand a Business Service Center in the Czech Republic. Many Universities and schools in the Czech Republic offer courses and programs that don't fully correspond with the demands of the business service centers. As a result Business Service Centers operating in the Czech Republic not only struggle to find suitable graduates but after recruiting and onboarding, these new employees need to be further trained and developed. This means that employers need to invest significant time and effort in training new people so as to compensate their skill and knowledge gap. This can lead to a substantial gap between the time when employees join the company and when they become effective and productive.

It is necessary to take steps in order to improve the quality of education if the Czech Republic is to remain competitive in the regional and global market. Business Service Centers in the Czech Republic employ almost 50,000 graduates and there are 4 areas that can bring substantial improvement of the quality of education:

1. Graduates need more practical skills and work experience

Employers in the Business Service Centers sector find that the Czech education system is not sufficiently linked to practice. Teachers often lack practical experience and knowledge of latest developments in their field and the curriculum is not tailor-made to match the requirements of the labor market (e.g. business case studies and simulations). The teaching style and techniques are not up to the sufficient standard, the teaching materials are not updated or schools don't have the state-of-the-art technology. Universities should cooperate with businesses on real research projects motivated by their professional development and by gaining business experience.



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- To take part in a dialogue between universities and business in order to help them create attractive university curriculums
- To contribute to further development of the quality measurement system so that it truly reflects the employability of graduates, quality of research and universities cooperation with the private sector (internships, research projects)
- To adjust formal requirements for academic employees so as to enable professionals from business with relevant practice to teach at universities

- To provide teachers/speakers with knowledge of practical business and cooperate with universities in preparation of their educational and training programs; for example ABSL can organize a Summer University for academic staff
- Students and teachers opportunity to consult experts from business when writing final theses or working on research projects
- Internships for students to gain practical skills as well as process knowledge first hand, in the environment of Business Service Centers students and teachers opportunity to consult experts from the business when writing final theses or working on research projects

2. Graduates need better analytical skills and business skills

While knowledge and application of skills such as Project Management, Teamwork, Critical Thinking, Innovation & Analytical Mindset, Communication, Conflict Management and Presentation Skills are necessary for current graduates to be successful at any modern workplace, these skills are either not included in university curriculums or not taught up to the required standard.

Soft skills should be taught and modern teaching techniques applied across all subjects of study. Students should work in teams on joint projects/assignments e.g. involving of various departments or different schools what will foster team work among students as well as teachers. Further necessary soft skills include verbal and written communication skills, leadership skills, project management, and conflict management.

Creative dialogue and openness to new views and ideas should be promoted and imbedded in education environment. External speakers should be invited to schools in order to bring new views, information and ideas as well as using modern collaboration platforms (such as WebEx, etc.). students should be encouraged to challenge each other, give feedback to their teachers, lead creative discussions, and come with proposals and solutions.



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- To provide soft skills training for teachers
- To provide external speakers / trainers for various analytical and soft skills areas
- To develop and support a business skills curriculum for Universities

3. Graduates need better and wider proficiency in foreign languages

While fluent knowledge of foreign languages has been a precondition for employment in Business Service Centers for many years, the language education provided at universities does not correspond to foreign language requirements of the labor market. Even if the knowledge of English language is very good it is very common now that the Business Service Centers need knowledge of additional languages (mostly German, French, Italian, Spanish, Dutch, Scandinavian languages, etc.). The universities should put stronger emphasis on foreign language education in the curriculum as well as offer optional language courses, and encouraging scholarships, foreign exchange programs and internships abroad.



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- Consultations on foreign language education and help arrange internships abroad
- ABSL can actively cooperate with student organizations such as AIESEC, IAESTE etc.
- ABSL can provide employees to teach courses in English or other major European languages

4. More focus on high school graduates in business services

25% of people working in the Business Service Centers in the Czech Republic have a high school education. This percentage can be increased and Centers could employ more fresh high school graduates if they would be better prepared for their needs. The area of focus should be very similar as for the Universities. More emphasis should be placed on the language skills development, as high school graduates should be able to speak at least two foreign languages. One of the challenges of the cooperation with the high schools is that they are not centrally managed and when we consider relatively high number of such schools it is quite difficult to approach them and discuss with them the business needs of the Business Service Sector.



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- Establishment of a body for high schools which would influence the curriculum of the school and promote the career opportunities in business services
- Attend and run 'jobfairs' for schools and parents to emphasise career choices and the importance of languages at school
- Encourage IT classes and arrange internships and practical IT sessions for school students
- Establish university study programmes for employees to study part time for related degrees

2. International Talent

Business Service Centers serve international clients and require high levels of technical and language skills that cannot be found only in the Czech market. Czech Centers employ an average of 34% of foreigners – over 20,000 people. The majority of these employees come from EU countries and serve their local European markets. Recently however, with demand for talent rising, we have seen a rise in the number of graduates and experienced talents from Non-European countries. We welcome this inflow of talent, which generates a substantial contribution to our sector and will continue to increase as our centers expand and develop their global business.

Currently the immigration process and the time it takes to obtain work permits and long-term residency permits is significantly longer than the business needs. As a result, the Czech Republic is losing business opportunities at an estimated 10-15 million USD millions annually. The Czech Government should work more closely with our business services representatives on the improvements of the process that can bring substantially more foreign investment for the Czech Republic.

Recommendations for recruiting international talent

The Recruitment process of non-EU foreigners is overly complex and creates a number of barriers to bringing vital talented experts into our business centers. As a result our members have to employ expert recruiting teams and invest substantial resources in bringing people with clear employment contributions to our economy.

We would make the following recommendations on how this process can be improved and how ABSL can support:

- Simplify the process for highly qualified and educated candidates for Business Service Centers that recruit a high number of people with skills and experience that are not widely available in the Czech Republic (mainly IT and languages)
- Limit the 30 days rule before a position is open for external recruitment in cases when it is clear that there are no or limited possibility to recruit Czech candidates (specific language skills, IT certifications, etc.)
- Simplify the requirement for the confirmation of accommodation and accept hotel or similar temporary solutions as it is very complicated for candidates and employers for arrange long time rental agreement at the very beginning of the process
- Speed up the registration in the Ministry of the Interior after candidates arrive to the Czech Republic

- Support the development and funding of Expat centers to assist international employees to settle and begin work productively our major Czech cities
- Employ Bi-lingual speaking officers in all relevant state institutions such as financial office, foreigner police, police, etc to support international employees



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- To identify the skills and experience that are not widely available in the Czech Republic (mainly IT and languages)
- To select Business services employers who typically recruit such profiles as candidates for a potential Fast Track programme to bring in specialists at short notice for temporary assignments

3. Labour Affairs

The Czech Republic is competing for business services jobs with other countries, especially from the CEE region e.g. Poland, Romania, Slovakia, Bulgaria, and Hungary. The employee proposition offered in each country is a huge factor in the selection of new investment. Global investors are looking for a highly skilled, flexible and committed workforce – at a competitive cost. The Czech Republic needs to ensure that we build the strongest possible employee proposition in these 3 key areas:

1. Flexible working practices

Business services is at the forefront of technology and flexible working practices. We offer our employees a wide range of part time, homeworking and job sharing – provided through innovative IT solutions. These approaches are essential to meet the wide ranging demands of global business – together with the increasing need for flexible options for employees eg maternity leavers, part time workers etc.

- We propose that the Czech Labor code should support ALL forms of flexible employment and ensure that both employers and employees are rewarded for implementing these new approaches
- We are ready to discuss in detail specific draft amendments to the Labour code that would support flexible forms of employment

2. Employee costs

Gross salary levels in the Czech Republic remain attractive for employees and employers. However, the current level of compulsory contribution from the employer towards health and social insurance (34% which is the highest in the CEE region) makes the cost of running business services operations (where direct people cost contribute to more than 70% of the total costs) in the Czech Republic less favorable than in other neighbouring CEE countries.

- We propose that the government continues to review the taxation structure for employers as this will remain a factor in the Czech Republic losing business services investors to other locations
- We propose to work with Czechinvest and the Government on shaping incentive packages for investors to ensure that Czech remains competitive in the tender process for new business

3. Employee contributions/support

Czech business services centers are growing significantly and require more employees to travel to their offices from their local regions. This boosts employment, especially in developing regions and when combined with flexible working practices, we can expect thousands of new services jobs to be provided across the Czech Republic in the next 5 years.

- We propose that employees should be encouraged to commute with subsidies for their car expenses or travel passes. ABSL members can work with local cities to design attractive employee travel schemes
- Business services supports working mothers and flexible work practices. We would welcome greater cooperation with cities and authorities on the provision of kindergarten and childcare solutions. ABSL members can provide common resources/support to cofund these initiatives

4. Regional Development

The growth of Business Services in the Czech Republic began in Prague in 2002-2005. This was then followed by a second wave of growth to the regional cities of Brno and Ostrava. These 3 cities continue to attract further investment but the country needs other cities to become future destinations for outsourcing centers.

Cities such as Olomouc, Plzen, Hradec Kralove, Pardubice, Liberec and Ceske Budejovice already have a small number of centres and can become the future drivers of investment growth for the sector. These 3rd tier cities offer quality universities, good infrastructure and are well developed with industrial, auto and engineering investors. ABSL is committed to spreading the services sector further across the country to build on our successes and ensure a strong pipeline of growth for the next 10 years and beyond.

Here are some of our ideas to develop business service centers in the Czech regions.



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- ABSL proposes to create a joint Czechinvest/ABSL charter of incentives for the business services sector – to attract investors through our international channels and encourage existing czech centres to look at growing new centres in new locations in the country
- To continue to collaborate with Czechinvest and regional City Halls to promote the capabilities of new cities and show their potential as future services hubs
- To consult with City sponsors and can support the development of strategies to attract business services investors. We can leverage our vast member network and experience to encourage new investors to consider more Czech cities for their centres

About ABSL

Association of Business Service Leaders (ABSL) was founded by 15 founding members in 2013. The Association is aligned with the success of ABSL in Poland and Romania, which have been at the vanguard of the growth in Business Services over the last 5 years and is one of the most significant member associations in the region. By now, the Association has got 53 members, mostly major operations in the area of shared services and business outsourcing that currently represent more than 12,000 employees in our country.



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