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State support for companies employing people with disabilities as a tool for labor market stabilization

Lucie Sedláková [1+]

[1] Mendel University in Brno, Faculty of Regional Development and International Studies, Czech Republic[1]

Abstract. *The increasing number of people in risk groups within the labor market has led to growing state interventions. Social support policies regulate the labor market and integrate specific groups, such as people with disabilities, into the workforce. In the Czech Republic, Slovakia, and Hungary, these individuals are recognized as disabled and receive disability pensions. As of March 2022, people with disabilities constituted more than 13% of the Czech Republic's population (Czech Statistical Office, 2023). Governments are continuously adopting measures to eliminate discrimination and support a stable labor market, but addressing the needs of people with disabilities remains challenging with significant socioeconomic and political impacts (IZA, 2016). This study examines how corporations employing people with disabilities respond to increasing government interventions through employer incentives. The research aimed to validate the income equation proposed by Sedláková (2024) for enterprises employing workers with disabilities. Validation was conducted across all countries despite differing social policies. The study worked with a sample of 14 251 to 14 312 data points from the period 2020 to 2022. Results confirm the income equation's applicability, with adjustments needed for specific firms and countries, such as corporate tax contributions and data management practices. The null hypothesis was rejected annually. The Czech social policy was found to be the most effective, with the lowest unemployment rate and lowest income component from employing workers with disabilities, significantly influencing the labor market with lower costs compared to other countries. Specific adjustments, like reimbursing costs for modifying workplaces, are noteworthy. In Slovakia, these costs can be covered by state funds. Despite the Czech Republic having the lowest average incomes for companies employing people with disabilities, its social policy tools are more effective than those of Slovakia and Hungary in encouraging the employment of this group, reflected in the lowest unemployment rates.*

Keywords: Employing people with disabilities, labour market, social policy, state support, social policy tools

JEL Codes: J08, J58

1. Introduction

As of March 2022, individuals with disabilities constituted over 13% of the Czech Republic's population, making their integration into the labor market a crucial task for both the state and non-profit organizations (Czech Statistical Office, 2022). The term "individuals with disabilities" is more sensitive and community-acceptable than "disabled people," reflecting the terminology used in Western literature (Snyder et al., 2010). However, this term is still retained in Slovak and Czech legislation. At the beginning of 2021, the Czech labor market saw a higher supply of job vacancies than the demand from the unemployed, highlighting the need to integrate workers with disabilities (Czech Statistical Office, 2022). By the first quarter of 2023, the employment rate for those aged 18-64 was 75.55%, and the unemployment rate stood at 2.6%, with long-term unfilled positions in niche specializations (Czech Statistical Office, 2023; Labor Office, 2023).

[+] **Corresponding Author:** *E-mail* lucie.sedlakova@mendelu.cz, *ORCID ID* https://orcid.org/0000-0003-4818-7639

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Long-term trends in the labor market and the specifically protected labor market in the Czech Republic are complemented by contradictory results from subsequent analyses. Bjelland et al. (2009) highlight the existence of discrimination as a barrier to employing individuals with disabilities. Research shows a growing trend in the inclusion and retention of individuals with disabilities in the labor market, as well as their willingness to work and adapt (Honey et al., 1996; Burkhauser et al., 2014). This is supported by the increasing number of supportive measures from states. Beyond economic incentives for workers with disabilities, corporate motives driven by state support show that employing individuals with disabilities improves their lives in areas of social cohesion, economic quality of life, and psychological stability (Snyder et al., 2010).

The trend of employing individuals with disabilities has persisted for thirty years, demonstrating a long-term interest in their integration into the labor market (Wittenburg et al., 2013). This reality is reflected in the development of social policies in the studied countries, with continuously increasing support measures and compensation. Business corporations increase the number of employees with disabilities for various specific reasons, including the influence of state interventions (Shulman, 2020). High government support for business corporations employing individuals with disabilities is a strong motivation for their employment (Krupa and Lysaght, 2016; Corbière et al., 2019; Evans et al., 2019). These studies indicate that the state uses intervention policies to support the employment of individuals with disabilities, such as lower rates on mandatory health insurance contributions (Sedláková & Pavelková, 2022; Sedláková, 2022).

Wage subsidies for corporations lead to a rapid increase in the employment of individuals with disabilities (Angelov & Eliason, 2018). Fraser (2009) notes that workers with disabilities are more loyal and perform better than their non-disabled colleagues. The motivation to employ individuals with disabilities includes not only state support but also the efforts of the corporations and the workers themselves (Efimov et al., 2022; Hasegawa, 2010). The American ADA law helps identify and implement factors that facilitate the inclusion of individuals with disabilities in the labor market (Blanc et al., 2003). An individual approach to individuals with disabilities is crucial for their effective integration into the labor market (Schur et al., 2005; Collela, 2001). Employing individuals with disabilities brings higher productivity, prestige, and overall efficiency to corporations, although it requires higher integration costs (Lindsay et al., 2018).

2. Theoretical framework of research

The Evolution of the Labor Market and Social Policies: The Role of Workers with Disabilities

Aichner and Shaltoni (2018) map the labor market as an increasingly inclusive space for people with disabilities. Employing individuals with disabilities can bring not only financial benefits to businesses but also social advantages (Sedláková et al., 2023). Despite state interventions, the labor market still shows reluctance to hire people with disabilities (Krus & Schur, 2003). Hasegawa (2010) notes that this participation is driven by a growing population of individuals with physical or mental disabilities, and state support should be increased for these individuals, their families, and potential employers. According to the World Health Organization, as cited by Aichner and Shaltoni (2010), over 15% of the global population has some form of disability, with Angela (2014) highlighting a threefold increase in recognized disabilities between 2000 and 2009. Only 12.7% of disabled individuals aged 18-55 are employed, which highlights a significant underrepresentation in the workforce (Angela, 2014). Dovidio et al. (2011) emphasize the potential for employing people with various types of disabilities, suggesting that job roles and environments can be adapted to accommodate specific needs, benefitting society as a whole. Given the rising number of people with disabilities, new categories with common characteristics need to be defined (Hasegawa, 2010; Aichner & Shaltoni, 2018). Corporations must adapt to this reality by enhancing their market appeal through inclusivity (Aichner & Shaltoni, 2018). Workers with disabilities often exhibit greater sensitivity to injustice compared to their non-disabled peers, and they report lower job satisfaction (Snyder et al., 2010).

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Research by Angelov and Eliason (2018) and Anand and Sevak (2017) found that individuals with disabilities are more than twice as likely to drop out of school, which can further limit their employment opportunities. Increasing the employment rate of this group can lead to state cost savings and a greater contribution to social security (Sedláková, 2022). However, despite the benefits, there remains a potential for discrimination and underutilization of this workforce (Bhattacharya & Long, 2015). The reluctance to hire disabled individuals is a long-standing global issue rooted in the last century (Krus & Schur, 2003). Creating certificates of recognized disabilities could simplify hiring processes and improve market integration (Hasegawa, 2010).

Profiling job performance during recruitment can ease decision-making for potential employers and reduce job turnover (Sedláková et al., 2023). In response to Hasegawa's findings, the European Commission adopted the Disability Rights Strategy 2021-2030 to enhance the lives of people with disabilities globally. This strategy builds on previous successes, aiming to remove barriers and ensure equal opportunities and participation in society and the economy. It includes ambitious measures in areas like accessibility, independent living, democratic participation, and anti-discrimination. The European Commission will closely cooperate with member states to implement this strategy and support the rights of people with disabilities (Europa.eu, 2021). State intervention in the labor market, through laws and support measures, can help address issues faced by disabled workers (Bhattacharya & Long, 2015). Snyder et al. (2010) note that disabled individuals often face challenges related to housing proximity to workplaces. State cooperation with employers to provide subsidized or protected housing near workplaces could be beneficial. Several studies have shown that employing disabled individuals can be profitable for businesses (Hartnett et al., 2011). These studies also indicate higher job satisfaction and lower turnover among disabled employees in private sector service companies (Hartnett et al., 2011), with disabled employees often remaining with companies for over three years, highlighting the potential for stable employment relationships (Sedláková et al., 2023).

The positive impact of employing disabled workers, such as increased loyalty, efficiency, willingness to learn, and a sense of belonging, benefits all parties involved (Hartnett et al., 2011). Employers' negative attitudes and concerns about hiring disabled individuals contribute to ongoing reluctance (Siperstein et al., 2006). The Japanese government provides equal employment opportunities for the general public, including disabled individuals (Muroyama, 2010). Literature highlights corporate attitudes towards employing disabled individuals, offering a new perspective for employers (Siperstein et al., 2006). The impact of their practices on disadvantaged groups creates customer feedback, which can influence the overall reputation of the employing corporation (Siperstein et al., 2006). Rehabilitating employer attitudes towards disabled workers is crucial (Maja et al., 2011). This can be achieved through well-developed methodologies for the labor market (Maja et al., 2011). Various countries provide inspiration for different approaches to disability employment (Muroyama, 2010). Raising awareness about minimizing discrimination and maximizing information on older and disabled workers is essential (Maja et al., 2011), explaining why Japan's employment quota increased from 2003 to 2009 (Muroyama, 2010). The loyalty and efficiency of disabled workers, along with their willingness to learn and long-term cooperation, are valuable to employers (Dabirian et al., 2017). In-depth interviews with team leaders working with disabled employees highlight the importance of fostering a sense of belonging among employees (Dabirian et al., 2017). Effective communication between state authorities and corporations willing to hire disabled workers can be facilitated through social media (Backhaus & Tikoo, 2004; Kim & Jang, 2022; Loo, 2020) The popularity of social media can increase the economic activity of disabled individuals (Sedláková & Pavelková, 2022). Research shows that social media interactions are crucial for brand perception and can influence the overall reputation of the employing company (Backhaus & Tikoo, 2004).

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3. Methodology and data

This research focuses on applying the income equation to businesses in the Czech Republic, Slovak Republic, and Hungary using secondary data from Sedláková's research (2022, 2023 and 2024). Additionally, public statistics were utilized, with the data adjusted and averaged with publicly available statistics (further details are provided in the sources accompanying the respective data).

Secondary Research

For the initial development of the income equation, a survey was conducted at a security services company for the period 2013-2019. The equation was adjusted according to internal corporate needs and the requirements of individual corporate departments. The initial development was tested on a sample of data from 300 employees with recognized disabilities of levels I-III. Subsequently, it was supplemented with targeted surveys in cooperating companies employing workers with disabilities of the respective levels. The secondary research of this study conducted surveys based on data from 2020-2022 regarding the income component of businesses employing workers with disabilities, focusing on companies in the Czech Republic, Slovakia, and Hungary. The data included averages from 4 Czech companies, 2 Hungarian companies, and 2 Slovak companies. The sample comprised employees with disabilities aged 18 to 75 working under main employment contracts or agreements, including both men and women. These averages were calculated based on a sample of 14,251 to 14,312 employees, considering fluctuations and seasonal variations. The data originates from Sedláková's original work (2024), supplemented or adjusted with public statistics and intra-company data from two establishments: an accommodation facility and a private healthcare facility. This research thus aims to validate the income equation using secondary data.

Table 1: Research Sample Specification for the Period 2013-2019

Sample size	303 respondents
Age	Ages 18-67
Gender	157 men, 146 women
Region	Czech Republic, Slovakia, Hungary
Companies	I, G, K, N
Disability	28 respondents with disability level I

(Source: own)

Table 2: Research Sample Specification for the Period 2020-2022

Sample size	13,200-15,623 employees
Age	Ages 18-78
Gender	Men, women
Region	4 Czech companies, 2 Slovak companies, 2 Hungarian companies
Companies	I, G, K, N, C, P, R, C, F

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Disability	Disability levels I to III

(Source: own)

Income Equations

The income equations were developed and underwent certain modifications during Sedláková's research as part of her doctoral thesis on the Economic Feasibility of Employing People with Disabilities in 2024 at Mendel University in Brno. The originality of this research lies in comparing theoretical foundations and practical verification of supportive measures in the labor market, specifically focusing on the risk groups of people with disabilities, where all three versions of the income equation for companies employing people with disabilities will be verified.

"**ZZ = [(F·H) − N] + P**
Equation 1: Income equation for one employee with a disability.
Note: This expression describes the difference between customer revenues and employee costs for half a year, where costs include employee wages, employee costs, and revenues from customer billings for a six-month period and contributions from the state for employees with disabilities." (Sedláková, 2024)

"Income equation for one employee after the first adjustment for corporations with hourly billing from customers.
ZZ = [(PZ-NZ) · DZP]
ZZ = [(F·H) − (H·O)] + [(CM + N) + (SP + ZPS)] · DZP
Equation 2: Income equation for a corporation employing a person with a disability.
Note: This expression describes the difference between customer revenues and employee costs for one observed period (data for the same time period)." (Sedláková, 2024)

"Income equation after adjustment for corporations with customer billing based on performed services for one employee with a disability:
ZZ = [(PZZ-NZ) · DZP]
ZZ = [(Σ (F1, ..., FN) − H)] + [(CM + N) + (SP + ZPS)] · DZP

Equation 3: Income equation for a corporation employing a person with a disability.
Note: This expression describes the difference between customer revenues and employee costs for one observed period (data for the same time period)." (Sedláková, 2024)

Explanation:
F - Average hourly billing from customers.
H - Average number of hours worked on projects per semester.
N - Average employee costs per semester paid by the employer.
P - Average value of the contribution for employees with disabilities from the state for a semester.
ZZ - Profit or loss of the company resulting from employing a worker with disabilities.
M - Average value of the hourly wage of an employee with disabilities.
O - Average hours worked by the employee on the project.
CM - Social and health insurance paid by the employer (CM = SS + HI).
SP - Social insurance paid by the employer.
HI - Health insurance paid by the employer.
OD - Contributions to social and health insurance paid by the employer for an employee with disabilities.
N - Additional costs for an employee with disabilities.
NZ - Average cost of an employee with disabilities (NZ = [(H·O) + (CM + N) + (SP + HI)]).

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PZ - Income from customers based on hours worked (PZ = F·H).
CIT - Corporate income tax.
ZZ - Profit of the corporation resulting from employing a worker with disabilities.

4. Results

Application of the income equation

Czech Republic
Average income of Czech corporations in 2020: 25,404.04 / 3 = 8,468.01 CZK per employee with disabilities before taxation.
Average income of Czech corporations in 2021: 1,572,160 / 48 = 32,753.33 CZK per employee with disabilities before taxation.
Average income of Czech corporations in 2022: 2,106,294 / 48 = 43,881.13 CZK per employee with disabilities before taxation.
Average income of Czech corporations in 2023: 8,468.01 - (8,468.01 * 0.19) = 6,859.1 CZK per employee with disabilities after taxation.
Average income of Czech corporations in 2021: 32,753.33 - (32,753.33 * 0.19) = 26,530.2 CZK per employee with disabilities after taxation.
Average income of Czech corporations in 2022: 43,881.13 - (43,881.13 * 0.19) = 35,543.72 CZK per employee with disabilities after taxation.

In December 2020, Czech corporations had various levels of income and expenses, affecting their profit/movement before tax. In January 2021, there was a significant increase in both income and expenses, reflected in profit/movement before tax. In February 2021, income and expenses significantly increased again, impacting profit/movement before tax. In March 2021, there was a noticeable difference in expenses between different records. In April 2021, income and expenses varied again depending on the record. In May 2021, income and expenses were once again significantly different depending on the record. From June 2021 to August 2021, there were recurring trends in income and expenses. From September 2021 to December 2022, the levels of income and expenses changed depending on the month but generally remained high. The average income of Czech corporations with employees with disabilities before taxation increases from 2020 to 2022.The average income of Czech corporations with employees with disabilities after taxation increases from 2020 to 2022.The greatest difference in the incomes of companies is observed in the following months: January 2021, where the income ranges from 25,919.87 to 82,869 CZK. April 2021, where the income ranges from 26,496.55 to 94,690 CZK.

Slovak Republic
Average income of Slovak Republic corporations in 2020: 54 281.2 CZK per employee with disabilities before taxation.
Average income of Slovak Republic corporations in 2021: 3 090 663.434/24= 128 777, 643 CZK per employee with disabilities before taxation.
Average income of Slovak Republic corporations in 2022: 3 615 579.56 /24= 150 649, 148 CZK per employee with disabilities before taxation.
Average income of Slovak Republic corporations in 2020: 54 281.2 - (54 281.2* 0,21) = 42 882, 148 CZK per employee with disabilities after taxation.
Average income of Slovak Republic corporations in 2021: 128 777, 643 - (128 777, 643 * 0,21) = 101 734, 338 CZK per employee with disabilities after taxation.
Average income of Slovak Republic corporations in 2022: 150 649, 148 - (150 649, 148 * 0,21) = 119 012, 827 CZK per employee with disabilities after taxation.

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The average income of Slovak Republic corporations in 2020 was 54,281.2 CZK per employee with disabilities before taxation. This income increased to 128,777.643 CZK per employee with disabilities before taxation in 2021. In 2022, the average income reached 150,649.148 CZK per employee with disabilities before taxation. After taxation in 2020, the average income was 42,882.148 CZK per employee with disabilities. In 2021, this average income after taxation decreased to 101,734.338 CZK per employee with disabilities. However, in 2022, this average income after taxation increased to 119,012.827 CZK per employee with disabilities. The results indicate an increase in the average income of employees with disabilities in Slovak firms over the course of three years. This may signal an effort to improve conditions for this group of employees. Additionally, although the average income is increasing, it is still lower than the income of employees without disabilities, indicating ongoing inequalities in remuneration.

Hungary
Average income of Hungary corporations in 2020: 34 352,61 CZK per employee with disabilities before taxation.
Average income of Hungary corporations in 2021: 3 092 495/ 24= 128 853, 958 CZK per employee with disabilities before taxation.
Average income of Hungary corporations in 2022: 3 66 1937/24= 152 580,708 CZK per employee with disabilities before taxation.
Average income of Hungary corporations in 2020: 34 352,61 -(34 352,61 *0,09) = 31 260,875 CZK per employee with disabilities after taxation.
Average income of Hungary corporations in 2021: 128 853,958 - (128 853,958*0,09) = 117 257, 107 CZK per employee with disabilities after taxation.
Average income of Hungary corporations in 2022: 152 580,708 - (152 580,708*0,09) = 138 848, 444 CZK per employee with disabilities after taxation.

The average income of Hungarian corporations for employees with disabilities exhibited significant growth over the span of three years, from 2020 to 2022. In 2020, the average income per employee with disabilities before taxation stood at 34,352.61 CZK. This baseline figure was likely influenced by various economic factors prevalent at that time, including market conditions, labor laws, and corporate performance. By 2021, there was a substantial increase in the average income, reaching 128,853.958 CZK before taxation. This remarkable rise might be attributed to factors such as improved economic conditions, increased productivity, or changes in corporate policies. Continuing this upward trend, the average income in 2022 saw a further surge, reaching 152,580.708 CZK before taxation. This could be indicative of sustained economic growth, approving government policies, or advancements in technology and industry practices. When considering post-taxation incomes, the figures also showed growth over the years. Despite deductions for taxes, the average income for employees with disabilities remained robust. Overall, the increasing trend in average income reflects positive developments within the Hungarian corporate sector, potentially indicating a strengthening economy and improved opportunities for employees with disabilities.

The income equation application utilized the exchange rates provided below. The results for the given years represent the income of the enterprise per one employee with a health impairment for one month. The income is averaged from all corporations of the respective countries and from all expenses and incomes of the enterprise for the given employees.

5. Discussion and Conclusions

The research and literature review reveals a complex landscape for employing individuals with disabilities, shaped by economic, social, and legislative factors across different countries. Aichner and Shaltoni (2018) highlight growing inclusivity in the labor market, offering both financial and social benefits, as supported by Sedláková et al. (2023). Despite this trend, Krus and Schur (2003) point to persistent reluctance to hire

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individuals with disabilities, even with state interventions. Hasegawa (2010) emphasizes the need for increased state support to meet the needs of this growing population. Angela (2014) notes that over 15% of the global population has a disability, with a threefold increase in recognized disabilities from 2000 to 2009, yet only 12.7% of individuals aged 18-55 are employed. Dovidio et al. (2011) argue that adapting job roles and environments to meet these needs benefits society. Both Hasegawa (2010) and Aichner & Shaltoni (2018) call for new categories and inclusive practices to enhance market appeal. Snyder et al. (2010) suggest that state support for subsidized housing could address challenges related to housing proximity to workplaces. Sedláková et al. (2023) recommend profiling job performance to improve decision-making and reduce turnover. The European Commission's Disability Rights Strategy 2021-2030 aims to improve access and participation for individuals with disabilities (Europa.eu, 2021). Bhattacharya & Long (2015) and Hartnett et al. (2011) find that state interventions and inclusive hiring can be profitable for businesses. Siperstein et al. (2006) identify persistent employer reluctance due to negative attitudes, while Muroyama (2010) and Maja et al. (2011) stress the need for rehabilitating employer attitudes and developing effective labor market methodologies. Research shows fluctuating incomes for Czech corporations with employees with disabilities from 2020 to 2022. In Slovakia, average income increased from 54,281.2 CZK in 2020 to 150,649.148 CZK in 2022, indicating a positive trend. In Hungary, the average income rose from 34,352.61 CZK in 2020 to 152,580.708 CZK in 2022. These findings reflect a growing state effort to increase employment for this specific group, aligning with recommendations from Schur, Krus, and other authors. The question remains as to where the development of social policies will lead. Further research aims to map all supportive tools provided by social policies and non-profit organizations in these countries for this specific group and for employer corporations. Examining the Union of Equality as the Strategy on the Rights of Persons with Disabilities for 2021-2030 reveals that the countries studied do not have significantly different social policies, and since 2021, the EU has been undergoing strong harmonization and facilitation of life for people with disabilities. The goal of the strategy is to improve the lives of persons with disabilities not only within Europe but also on a global scale. The strategy builds on previous strategies from 2010-2020, which laid the groundwork for a barrier-free Europe, accessibility, dignified quality of life, and independent living. The implementation of the strategy includes introducing the European Disability Card and creating a support platform (European Commission, 2021). In terms of development, all three countries exhibit similar growth patterns. Angela (2014) notes that the development in Romania is strongly consistent with that in the Czech Republic, highlighting a growing trend in the number of recognized disabilities, which tripled between 2000 and 2009. The issue of the increasing number of recognized disabilities is a cross-border problem and needs to be approached from a global perspective. The comparison of the policies in these countries regarding support for businesses and employees with disabilities is summarized as follows. Currently, under the Union of Equality adopted by the European Commission, disability pensions are based not on the amount of compulsory insurance contributions but on meeting employment duration or contribution requirements. Additionally, pensions are based on the average income if the worker with a recognized disability was employed before becoming disabled. (Sedláková,2024; European Commission,2021)

Disability classification varies among the studied countries. The Czech Republic uses a three-tier system, ranging from I to III. Hungary has a more complex system that, like Slovakia, functionally mirrors the Czech system but is categorized from A to E, with corresponding numbers indicating the type of disability, such as the reduction in work capacity in percentages and specific conditions like musculoskeletal disorders. Slovakia classifies disabilities as either impaired or severely impaired, with the latter term being considered derogatory in Western literature. Hungary offers the most substantial support for corporations, including an unlimited amount for disability pensions. Both Hungary and Slovakia provide similar support for employing people with disabilities, particularly for businesses with more than 25 employees, requiring a minimum of

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4% disabled employees. In Hungary, companies employing workers with disabilities benefit from reduced contributions, with a maximum reduction equal to twice the annual salary per employee. Slovakia and the Czech Republic address this by reducing health insurance contributions paid by both employees and employers. (European Commission,2021; Sedláková & Pavelková, 2023; Sedláková, 2024)

In the Czech Republic, the maximum monthly contribution for each employee with a disability is 16,700 CZK plus a fixed 1,000 CZK. For employees with only health impairments, the contribution is 5,000 CZK. Slovakia provides up to 35,900 CZK per employee per month, in addition to a placement grant of up to 11,979 CZK monthly, depending on the duration of the placement. This does not include grants for sheltered workshops. Support for employing disabled individuals includes contributions for transportation, workplace adjustments, and subsidies for creating new job positions. For self-employed disabled persons, the support can cover up to 50% of their expenses, including rent, maintenance, and other costs, amounting to approximately 116,500 to 233,300 CZK annually. The Czech Republic offers limited support for workplace adjustments in cooperation with employment offices or through restricted grants for creating new positions. Businesses can receive tax relief based on the disability level of their employees, ranging from 18,000 to 60,000 CZK per employee annually. Hungary also provides project and EU grant support, covering full wage costs through wage and additional subsidies and rehabilitation support for businesses in the Czech Republic and Slovakia, with up to 92,000 CZK per employee.

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