

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor thesis assignment**

**Analysis of Unemployment in the Czech Republic**

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## **Summary**

This thesis investigates the issues related to unemployment and its consequences. As unemployment is one of the major issues in the regulation of the economic situation in any states, its analysis is essential for understanding and forecasting the future development of any state's national economy. The author of the publication provides a deep theoretical overview of the key aspects of unemployment such as its different types, functions, and consequences in all respects. Also, the author investigates the conditions of unemployment on the Czech labor market, and provides grounded forecasts of the dynamics of those indicators in the near future. The thesis provides a high added value in the field of research of unemployment and its consequences in the economic and social spheres.

**Keywords:** unemployment rate, average gross wage, vacancies, direct foreign investments, frictional unemployment, cyclical unemployment, seasonal unemployment, natural unemployment, structural unemployment, rate of unemployment, consequences of unemployment.

## **Introduction**

In the current conditions of globalization, the economic development of countries is very rapid, and the market conjuncture is subject to major changes as a result of the impact of many differently vectored factors. In such conditions, the added value generated by the labor force becomes of the key competitive advantages for reaching economic success on the market for both companies and countries.

In the Czech Republic, the issue of unemployment is particularly important and relevant, as the country is aiming to ensure steady mid- and long-term economic development, and maintain its role as the regional leader in Central Europe. Therefore, it is particularly worth analyzing the measures implemented by the Czech government in the field of regulation of unemployment, and investigating justified forecasts describing the possible scenarios of development of the Czech economy in the context of unemployment on the country's labor market.

## **Aim**

The aim of this thesis is to create determine significant factors, which influence the unemployment rate most of all, quantify relationships among variables, simulate different scenarios for dependent variable.

In the analytic part, it will be examined how average gross wage, vacancies and direct foreign investments influence the unemployment rate.

## **Hypothesis**

The following hypotheses will be evaluated:

H1: The effect of average gross wage on unemployment is statistically significant.

H2: The effect of vacancies on unemployment is statistically significant.

H3: The effect of direct foreign investments on unemployment is statistically insignificant.

H4: Growth of average gross wage leads to decrease of unemployment rate.

H5: Growth of vacancies leads to decrease of unemployment rate.

H6: Growth of direct foreign investments leads to decrease of unemployment rate.

## **Methodology**

The literature review is based on scientific books and papers. The books were borrowed at public libraries and some internet resources have been used to constitute data analysis.

For analysis about unemployment are used secondary data, that includes annual time series during 2000-2013 years. These data were taken from Czech Statistical Office, European commission and Czech National Bank. The regression model is used for defining correlation between dependent and independent variables.

## **Conclusion**

Unemployment is a major issue for any state, and all governments seek to minimize the level of unemployment for the purpose of improving the population's living standards, and for maximizing the economic output reached by the national economy. Unemployed

persons require particular care on the state's part, as they are the most vulnerable category of people with the lowest purchasing power.

The consequences of unemployment may be both positive and negative. The negative consequences of unemployment include the decreased purchasing power of the population, and thus the overall decreased standards of people's living. They also means that the economic activity of companies is dropping, and many entities are forced to withdraw from the market, thus narrowing the choice of products offered on the market and decreasing the level of market competition. For the state, the higher rate of unemployment means that it is forced to spend more funds on the payment of unemployment benefits and other similar social payments, and at the same time get lower budget revenues as a result of the decreased payments of the personal income tax.

The positive consequences of unemployment include the fact that it allows effectively re-organizing the market without the state's intervention, and therefore allows balancing the supply and demand on the market using natural methods. At the same time, for companies, a positive aspect is that they get an opportunity to pay lower wages due to the increased number of candidates for vacancies offered, and the power of labor unions is decreased as well.

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