

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Summary of Bachelor Thesis**

**The analysis of unemployment in the Czech Republic –  
Case study of Prague**

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## Summary

Topic of this bachelor thesis is The analysis of unemployment in the Czech Republic – Case study of Prague. Unemployment is one of the most discussed economic problems of our society. Unemployment affects all countries, regardless of how developed they are. A certain level of unemployment is perhaps even necessary to keep a healthy tension between supply and demand of labour. There are different impacts of unemployment. These are mainly economic, political and social problems, which affect the functioning of the entire state, but it can also have an impact on individual families related to the unemployed. Economic problems are mainly reflected in the state budgets of countries as with the rise of unemployment, expenditure on welfare for the unemployed people naturally grows, which reduces revenues of the state budgets. Unemployment is one of the most important indicators of the national economy.

The theoretical part of this bachelor thesis is focused on fundamental terminology of unemployment. The practical part deals with the description of Prague, development of the unemployment rate from the time that the independent Czech Republic was established. Another objective is comparison of unemployment rate in Prague to the rest of the Czech Republic and the analysis of unemployment in Prague according to gender, education and age group.

**Keywords:** unemployment, labour market, Prague, the Czech Republic

## Objectives

The aim of this work is to describe the issue of unemployment and its development in Prague. The objective is to assess development of the unemployment rate since the establishment of the independent Czech Republic to 2014. Another Objective is comparison with the Czech Republic and the analysis of unemployment in Prague by gender, education and age group in years 2006 - 2014.

## **Methodology**

Descriptive and comparative methods will be used in the thesis. To develop theoretical part there will be used professional publications, textbooks, books and websites dealing with unemployment, thus the theoretical part will deal with the explanation of terms that are important to clarify the issue of unemployment. The practical part will focus on tables and graphs, which will be made in MS Word and MS Excel with data from the Czech Statistical Office.

## **Results and Discussion**

I chose this topic mainly because I will one day, like most of us, look for a job. According to data which were analyzed, females between 25 to 29 years are the most successful when applying for a job in Prague. Regarding gender, I can not agree with the idea that men find work more easily than women. Regarding education, most of the unemployed are those with only secondary education. Thus, investment in education will certainly facilitate job search. Work experience is another important factor. If a person does not have higher education, a potential employer may value work experience that comes with age. The age group 30-34 years is, on average, the second lowest number of unemployed.

In 2009, unemployment in Prague was 3.1%, representing an annual increase of 1.2%. This increase was the highest for the entire monitored period 2006 - 2014. It was caused by the Financial Crisis. The most significant impacts of the Great Recession are always in the area of employment. The economic downturn was reflected in the Prague labour market by a decrease in job vacancies. The labour market reacts to economic development, usually with a slight delay. Therefore, the unemployment rate in Prague in 2008 decreased to 1.9% in Prague and 4.4% in the Czech Republic, the year when the Financial crisis had already fully broken out. Then, in 2010 it rose to 3.8% in Prague and 7.3% in the Czech Republic. The most affected were men in age group 25 – 29 and 55 plus with a secondary education and leaving examination.

The age group 35-44 with secondary education and leaving examination had the worst results in years 2011 - 2014, the reason was the continuing consequences of the economic crisis. A big part of the age group 35-44 were women who were trying to return to work after having children but who did not have enough experience and they are also not so flexible as

men because they still maintain a household. Possible solution could be creating more job vacancies with flexible working hours or part-time jobs. Men in this age group achieved very good results, most likely because they already had acquired the experience. Another contributing factor is the fact that men assume the role of breadwinner father. Therefore men are more motivated to work harder and consequently interested in professional growth.

According to the comparison of the unemployment rate in Prague with a total unemployment rate of the Czech Republic, it was confirmed that Prague is doing very well. This statement was confirmed also by comparing the rate of unemployment of Prague with the other regions of the Czech Republic, where Prague had the lowest rate and just verified its position of the capital city of the state.

### **Conclusion**

Prague is a city with a high concentration of jobs, but it is also the most important center of education. The educational system in the Czech Republic is seen as one of the the best in Europe. It is also the center of jobs on a national scale. Average salary in Prague is generally greater than in other Czech cities.

From the time that the independent Czech Republic was established until 1996, the general unemployment rate in Prague was declining due to significant growth of the Czech economy. There was a big number of economically active people. Fertility radically declined after 1993, because young people were postponing the birth of their first child, which also supported very high employment rates. A decline in economic performance after 1997 resulted mainly from bank debts, restrictive monetary and fiscal policy. Even though the first years of the millennium have brought economic recovery, which stemmed from the overall industrial restructuring, improving competitiveness or inflow of new investments; the total increase in labor productivity didn't result in a reduction of unemployment and the number of people who face long-term unemployment was increasing.

Since 2004, the unemployment rate was declining in Prague until 2008, when it was the lowest unemployment rate for the entire monitored period. This downward trend was mainly caused by the overall good condition of the Czech economy, where real GDP grew up by more than 5% per year, and also an increase of the foreign commerce. Another important aspect was entry of the Czech Republic into the EU, which meant the inflow of EU funds to new projects that created job vacancies. Another positive thing was the availability of certain

European labor markets for citizens of the Czech Republic, who were able to go to work abroad and reduce the number of candidates for jobs.

The year 2009 was represented by the highest increase of unemployment rate for the entire monitored period. It was caused by the financial crisis that broke out in 2008. Labor market reacts to economic development, usually with a slight delay. This affected all groups of people. The most influenced were men in the age groups of 25 – 29 and 55 plus with a secondary education with leaving examination. The period 2011-2013 was characterized in the economic field by austerity budgets, declining real incomes and people being generally uncertain about the future. By the end of 2014, Prague, together with the German region of Upper Bavaria were the ones with the lowest unemployment rate throughout the European Union. Between the largest employers in 2014 in Prague belonged Česká pošta, s.p.; Česká spořitelna, a.s.; České dráhy, a.s.; Dopravní podnik hl.m. Prahy; Správa železniční dopravní cesty; Vězeňská služba České republiky.

Due to the comparison of the unemployment rate in Prague with a total unemployment rate of the Czech Republic, it was confirmed that Prague is doing very well. This statement was also confirmed by comparing the rate of unemployment of Prague with the other regions of the Czech Republic, where Prague had the lowest rate and just verified its position of the capital city of the state.

According to data that was analyzed, females between 25 to 29 years are the most successful in a job search in Prague. Regarding sex, I can not agree with the idea that men find work more easily. Except for the two cases in Prague where there were fewer unemployed women than men. Although the differences were not significant. Regarding education, the most of the unemployed citizens are the people with a secondary education. Thus investment in education will certainly facilitate job search. Work experience is another important factor. If a person does not have a higher education, a potential employer may value work experience that comes with age. The age group 30-34 years is on average the second lowest number of unemployed citizens.

There are some ways how to reduce unemployment, I see a big importance in tools of active labor market policy. These are mainly retraining programmes, community work, creation of sheltered workshops. In my opinion, it is also necessary to create conditions that would motivate the unemployed person to start a business by reducing the financial and administrative burden that entrepreneurs must deal with. I also believe that an abolition of unemployment benefits would reduce the unemployment rate. If the benefit is high, it is more advantageous for the unemployed person to be financially supported by the government than

to take a less paid job. A large part of the unemployed people is formed by women who try to return to work after having children but who do not have enough experience and are not so flexible as men, due to household duties. Possible solution could be creating more job vacancies with flexible working hours or part-time jobs.

There isn't any simple or universal method how to regulate unemployment. Even though the government can intervene through tools of active employment policy, the whole society has to be involved to reduce unemployment. The inhabitants of the country should focus on their education and subsequent deepening and gaining of additional knowledge and skills.

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