

# Labour market and unemployment in the Czech Republic during the transition process

- 1) Labour market – the initial stage
- 2) General characteristics of the LM in the 1990's
- 3) Labour mobility
- 4) Educational structure
- 5) Economic activity of the LFS
- 6) Labour productivity and wages
- 7) Unemployment

# Labour market – the initial stage – LM in the socialist Czechoslovakia

- the rate of UNE was officially 0 % - UNE in market economies as a proof of market economy inefficiency
- to be unemployed = a criminal offence of “parasitism”
- the system of “allocation vouchers”
- wage motivation limited with breaking the central plan →
- → quantity instead of quality
- wages many times as a substitute of the social benefits

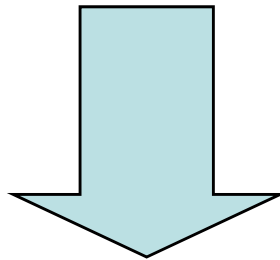
## Employment structure in Czechoslovakia, Hungary, Poland in 1990 (in % of total employment)

	ČSSR	Hungary	Poland
Agriculture	11,8	17,5	26,7
Industry	45,4	36,1	36,6
Services	42,8	46,4	36,7

*Source:* Keune (2003)

# Labour market – the initial stage – 1990

- broad amnesty
- decreasing the over-employment
- collapse of east European markets
- legislative changes (the possibility to register at the Labour Office to get social benefits)



unemployment as a new phenomenon

# LM till 1997

- 1990 – 1997 – era of relatively low unemployment rate – between 3-4 %
- several causes: *postponed economic restructuring, creation of „transformation wage pillow“, drop of labour productivity*
- sometimes marked as a „Czech economic miracle“
- relatively low share of long-term unemployment
- relatively flexible labour market

# LM since 1997

- monetary crisis in May 1997 → slumpflation → constant UNE growth
- economic recession in following 2 years
- general decay of economic activity
- 1999 – UNE approaches the 10 % level
- privatization of banking sector → real economic restructuring
- economic recovery in 1999 → soft UNE decrease (but still between 8-9 %)

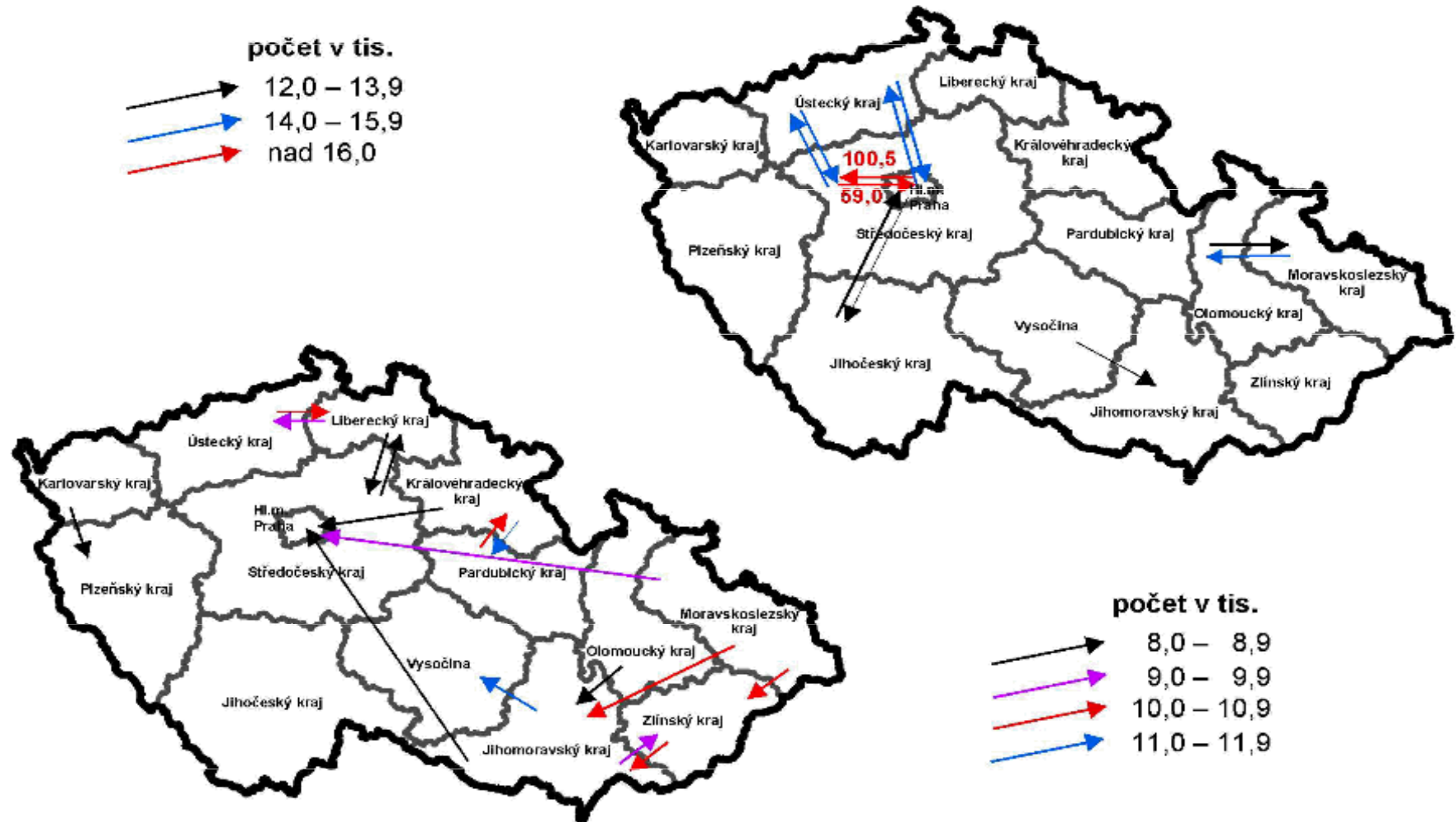
# Mobility of the labour force

- „socialist tradition“: to remain living on the same place for many years (often for the whole life)
- problem of housing – controlled rental + mortgage inaccessibility → inflexible housing market
- unwillingness to migrate
- migration mainly towards Prague and Brno



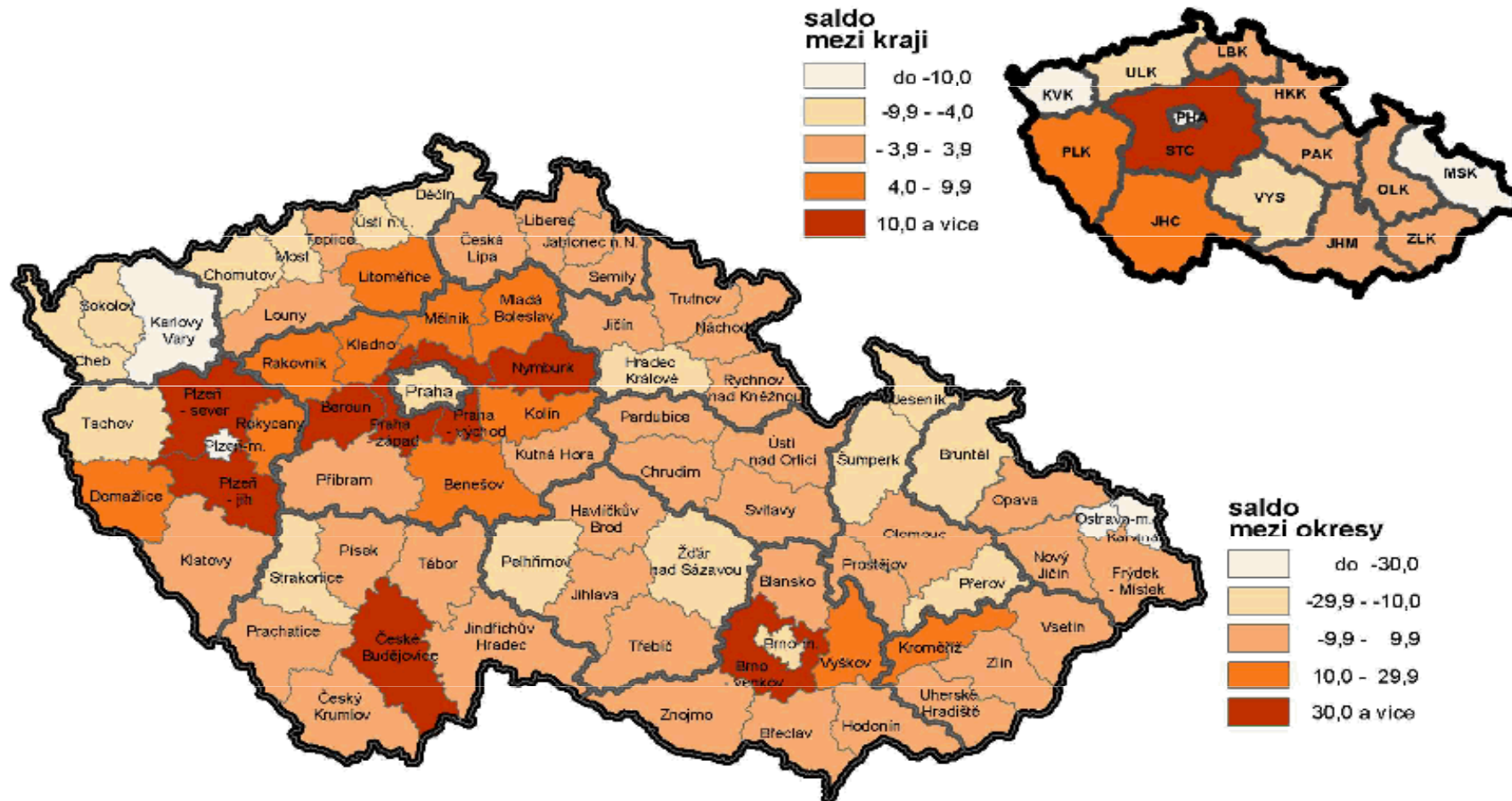
# Migration flows among regions in the CR between 1991 – 2004 (in thousands)

**Proudy stěhování mezi kraji v ČR v souhrnu za roky 1991-2004**



# Migration balance among counties/regions in CR 1991 – 2004

Saldo stěhování mezi kraji a mezi okresy v ČR na 1 000 obyvatel  
v souhrnu za roky 1991-2004



okres s maximální hodnotou: Praha-západ = 215,0  
okres s minimální hodnotou: Ostrava-město = -39,7

# Education

- relatively good quality education system during the socialist era
- lower share of tertiary education in comparison to the developed countries, but:
- growing share of upper secondary and tertiary education
- on the other hand: today – lack of skilled manual workers

# Educational structure in the CR 1991 – 2002

(in % of employed people)

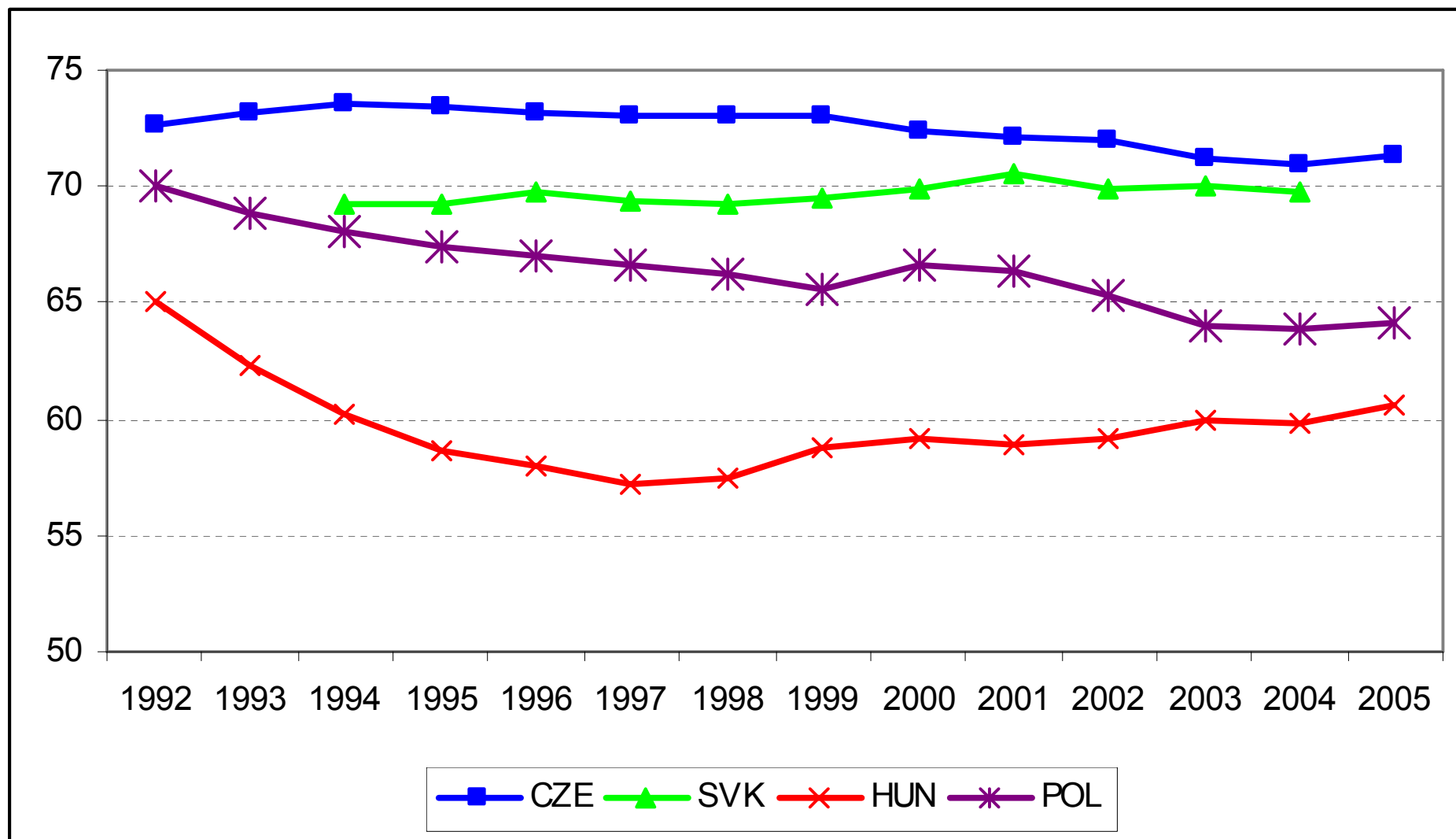
	1991	1996	1998	2000	2002
Primary + pre-primary	14,7	10,6	9,5	8,7	7,3
Lower secondary	46,3	46,0	45,6	42,5	43,4
Upper secondary	28,4	32,7	33,9	35,7	36,1
Tertiary	10,6	10,7	11,0	13,0	13,2
Total	100,0	100,0	100,0	100,0	100,0

*Source:* Sukup, Vojtěch (2003)

# Economic activity of the labour force

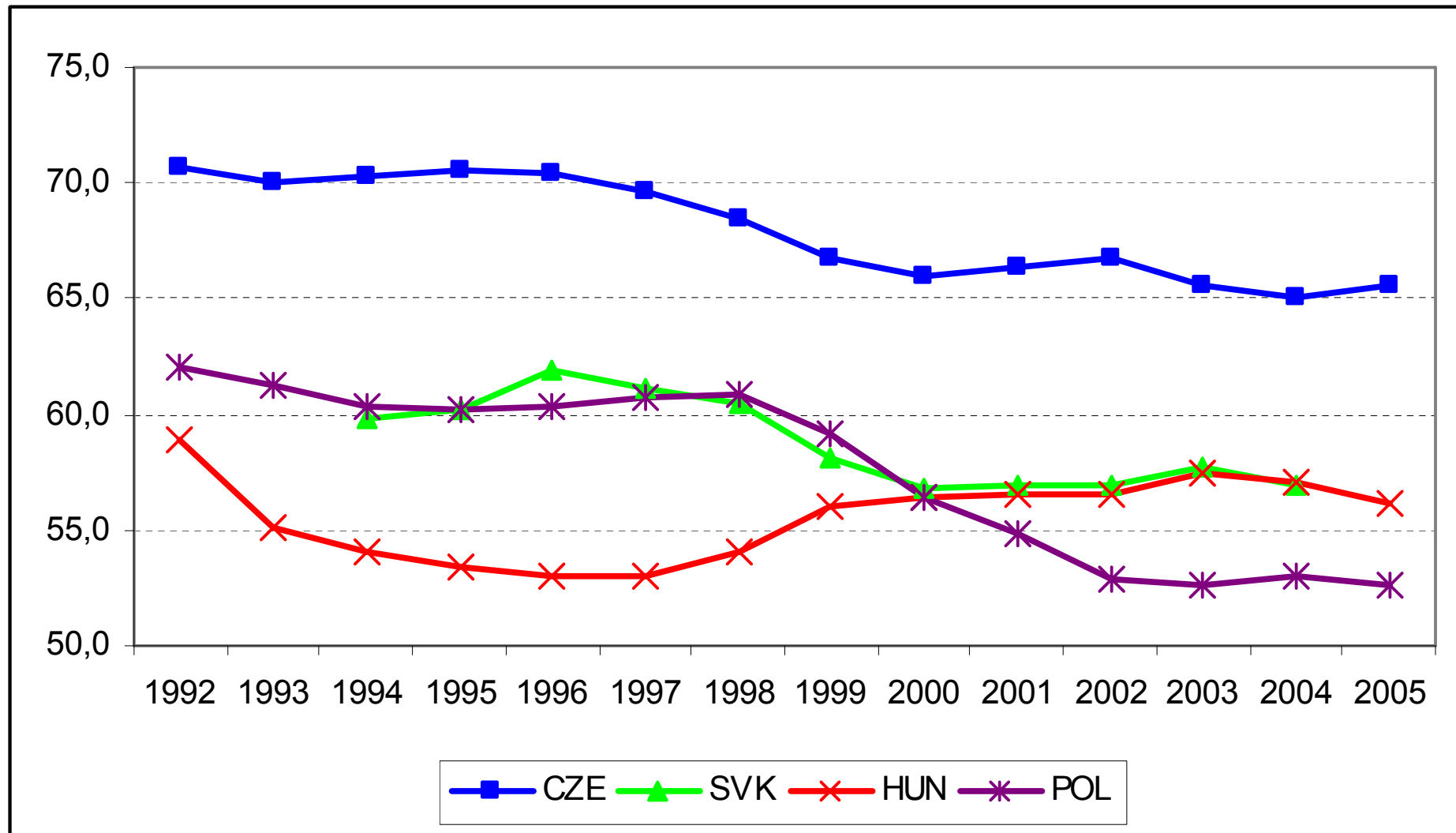
- one of the highest rate of labour participation – over 70 % during the whole transition period
- employment rate – highest level among the V-4 countries
- why?: tradition („heritage“ of socialism), low share of shadow economy, low „across border“ job-migration

# Labour participation rate in V-4 countries (in % of population 15-64)



Source: OECD (2007)

# Employment rate in V-4 countries (in % of population 15-64)



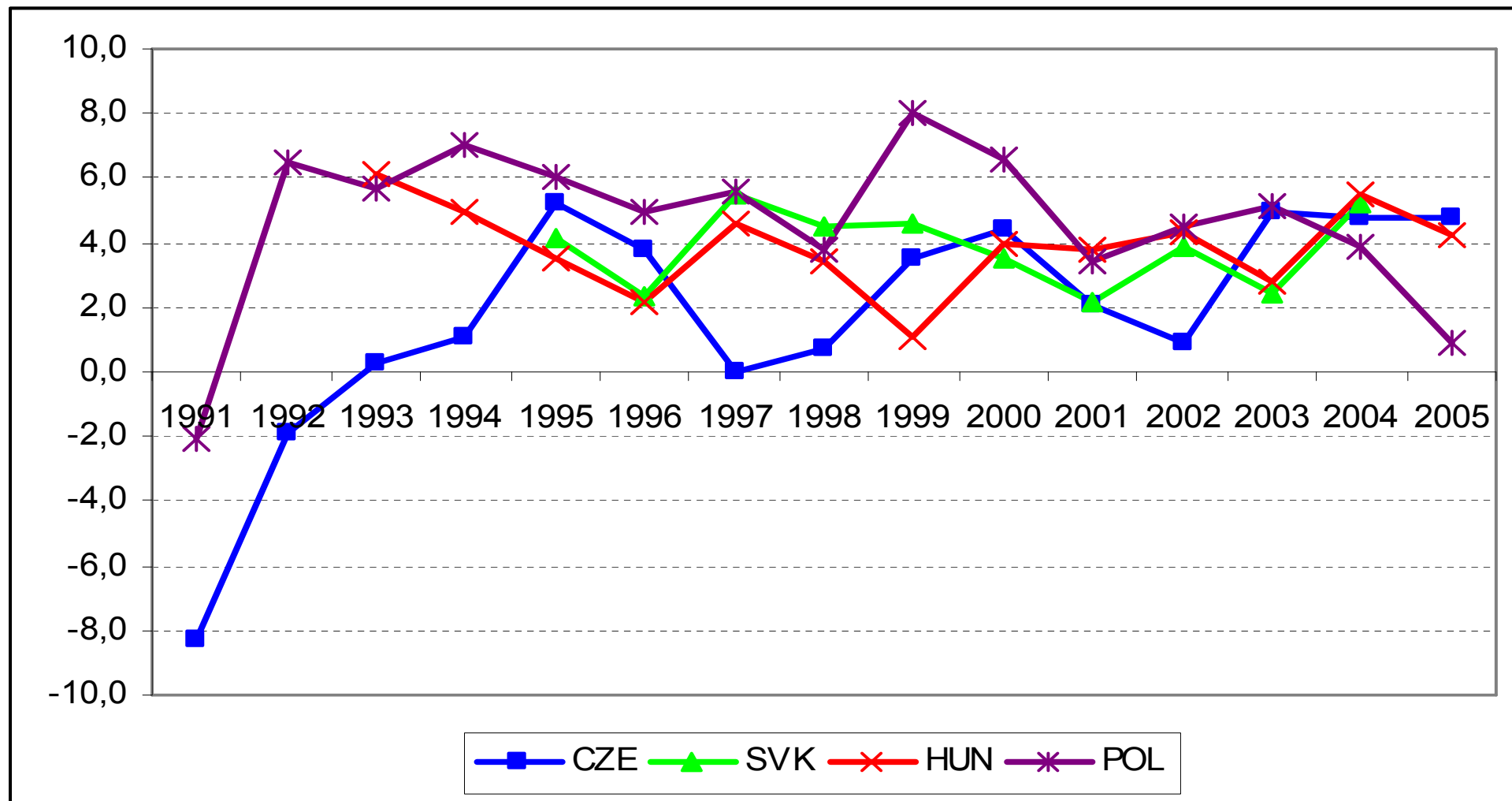
Source: OECD (2007)

# Labour productivity and wages

- price liberalization in 1991 → 56% inflation rate → drop of real wages → creation of „transformation wage pillow“
- pressure on rapid real wages growth in following years
- real wages grew faster than the labour productivity in 1994 – 1997

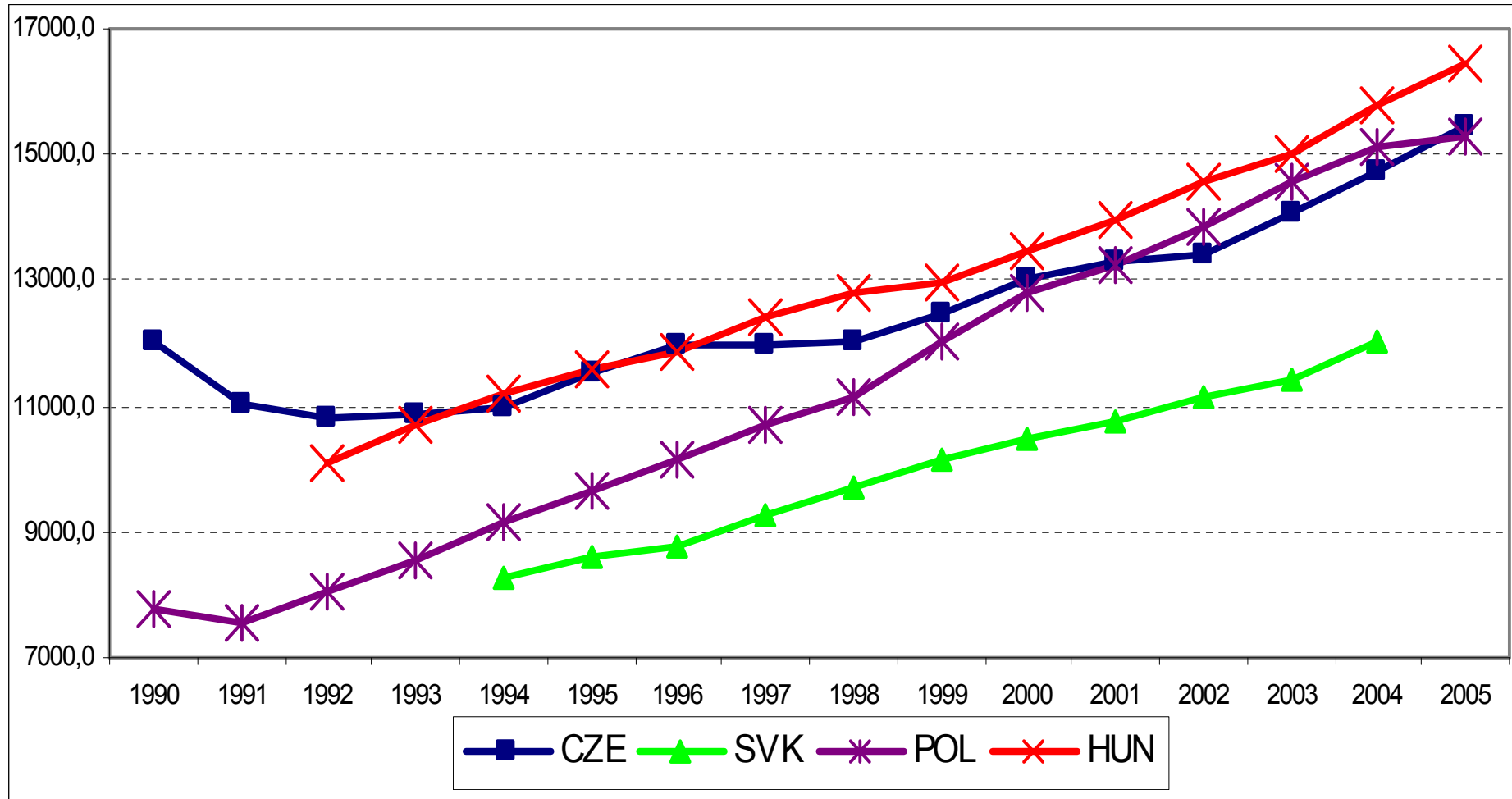


# Annual changes of labour productivity in V-4 countries (in %)



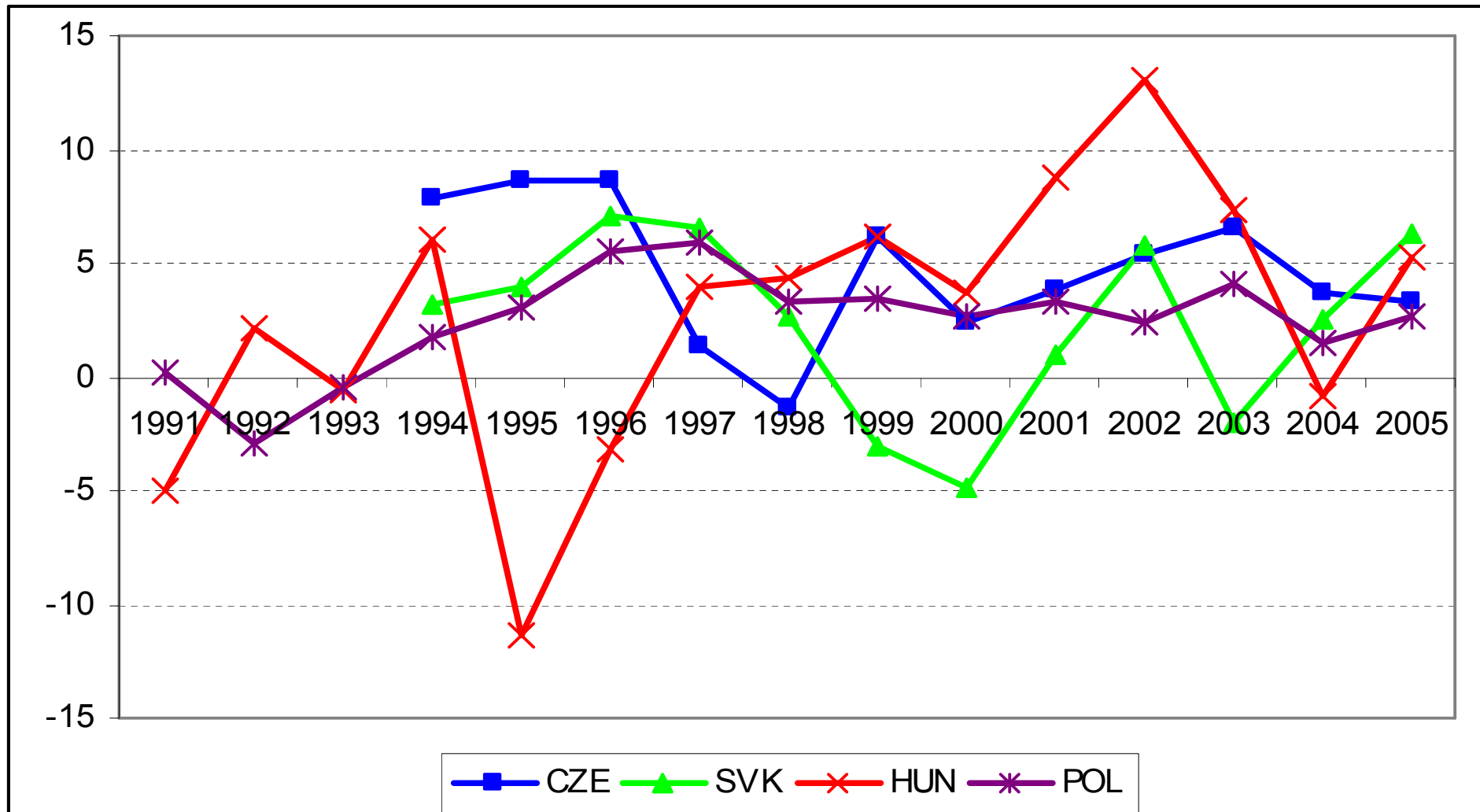
Source: OECD (2007), own calculations

# Labour productivity in V-4 countries (in EUR, constant prices 2000)



Source: OECD (2007), own calculations

# Annual changes of real wages in V-4 countries (in %)



Source: OECD (2007), own calculations

# Labour productivity and real wage growth differential (in percent points) CR

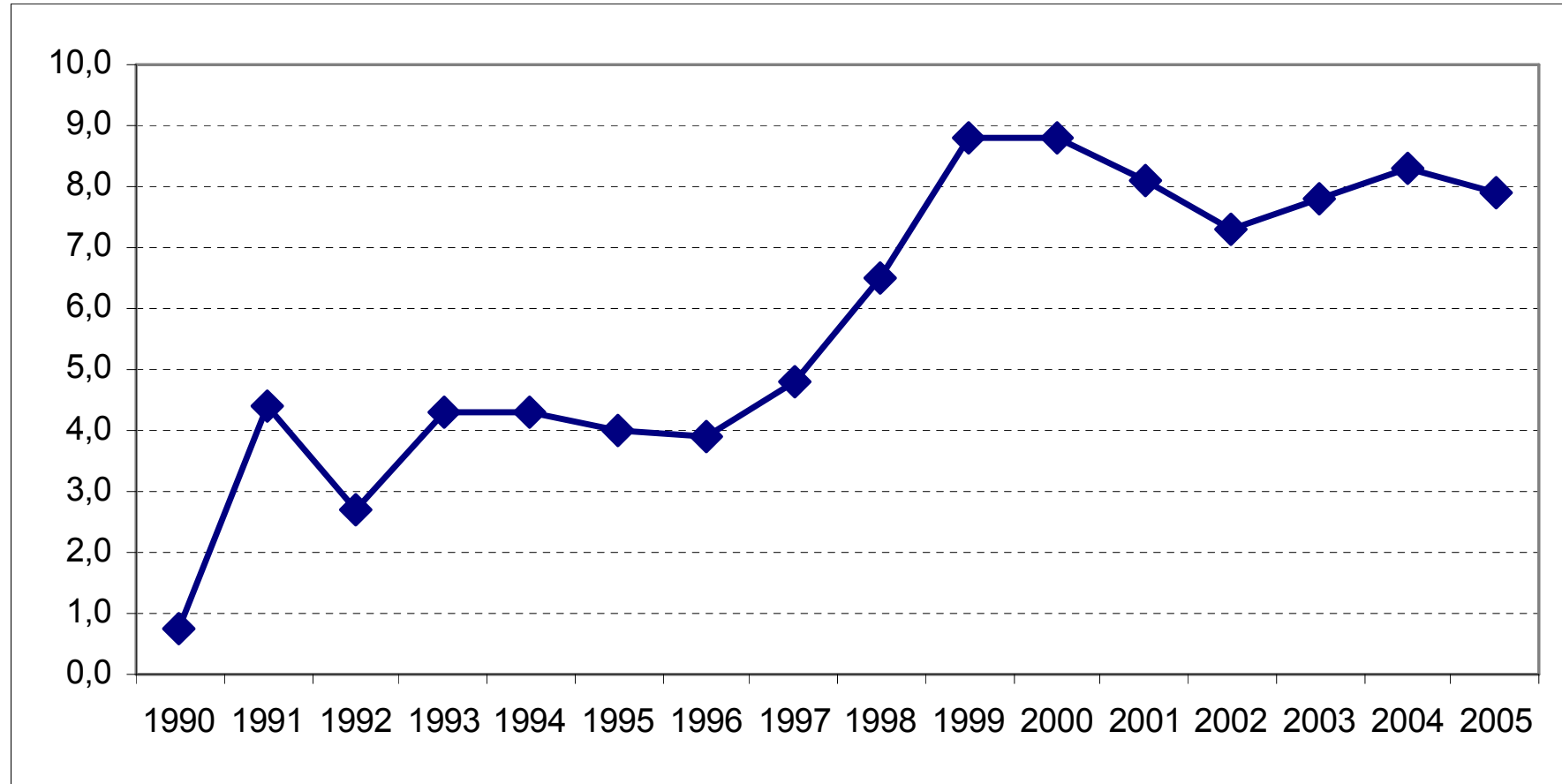


Source: OECD (2007), own calculations

# Unemployment

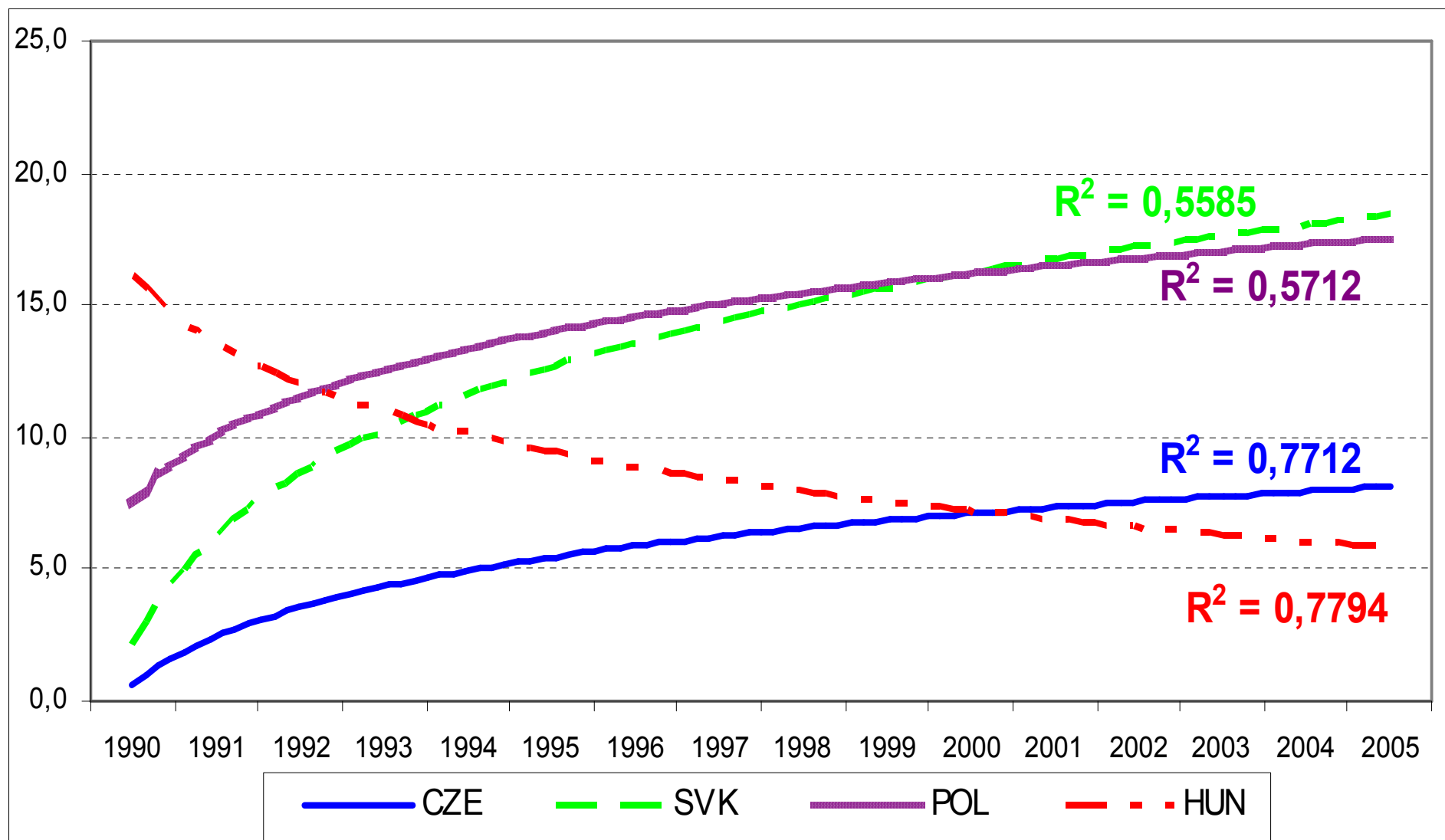
- 1990–(May)1997–UNE rate between 3–4 %
- since 1997 – constant UNE growth
- 1999 – 2004 – UNE rate between 7–9 %
- the UNE rate 3-4% seemed to be artificially low
- today: UNE under 6 %

# Unemployment rate in the CR 1993 – 2005 (%)



*Source:* OECD (2007)

# NARU estimation in V-4 countries



Source: OECD (2007), own calculations

Thanx for your attention 😊