

7.1 UNEMPLOYMENT IN CZECHIA

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Unemployment is one of the most closely observed characteristics of an economy from both, societal and spatial point of view. High unemployment rate of a specific social group can lead to an increased deprivation rate, a difficulty to enter the labour market, as well as to decreasing of living standards or social pathology phenomena (e.g. criminality, family or social conflicts etc.). High unemployment rate spatially concentrated then causes economic and subsequently social insufficiency in the region, strengthening thus its peripheral position, stigmatisation and accumulation of problems, which are then reflected in inhabitants' education, qualification and age structure, accessibility, and quality of local infrastructure (Katrňák, Mareš 2007). The evolution of unemployment in Czechia (since 1918) can be divided into three periods corresponding to the changes in the management of economy. These three periods also differ in methodology and unemployment measurement methods. The purpose of this map sheet is to assess the evolution of unemployment in Czechia and its regional differentiation from the long-term viewpoint of changes in the economic reality of the 20th and 21st century.

In the period since the establishment of Czechoslovakia until economic socialization (1918–1950), unemployment was continuously recorded by trade unions, which were also partially responsible for handing out unemployment benefits¹, and employment agencies which were in charge of job seeker statistics (collecting data on both those who did find jobs and those who didn't). The data was published only for the administrative unit of historical lands (see SÚS 1919–1950). More detail was not available until the 1930 population census which collected data on regional unemployment differentiation on the level of judicial districts. The results showed significant regional differentiations in unemployment rate. Contrary to expectations, the lowest unemployment rate was not recorded in regions where the biggest cities amassing industrial production were located (their unemployment rate was close to the national average 4.7%), but in agricultural areas, which had a strong ability of absorbing manpower. The judicial district of Zlín proved to be the urban region with the lowest unemployment rate (1.2%), thanks to the Baťa Company. Regions suffering the most from unemployment were mostly located in the mountains of Sudetenland in western Bohemia (Přísečnice 18.22%, Nejdek 14.55%, Hora Svaté Kateřiny 14.33%) and in industrial border regions. A great part of rural inhabitants compensated their decreasing household revenues caused by high unemployment rate by having a secondary job, mostly in agriculture or industry. Unemployment in this period was marked by pronounced seasonal fluctuation and significantly increased during the Great Depression (see Figure 7.1.1). In Sudetenland unemployment remained high until after the Munich Agreement when the Nazis adopted elements of National Socialism. At the end of 1938 plans were submitted for emergency jobs for the unemployed offering mostly infrastructure (water pipelines, sewerage, regulation, railroad, and roads) construction work (at first voluntary, later forced). Despite the existing legislation on the “support to the

¹ Topped up by the state according to the Ghent system, see Act no 267/1921.

involuntarily unemployed”², only fragmented data remains on unemployment during the war period.

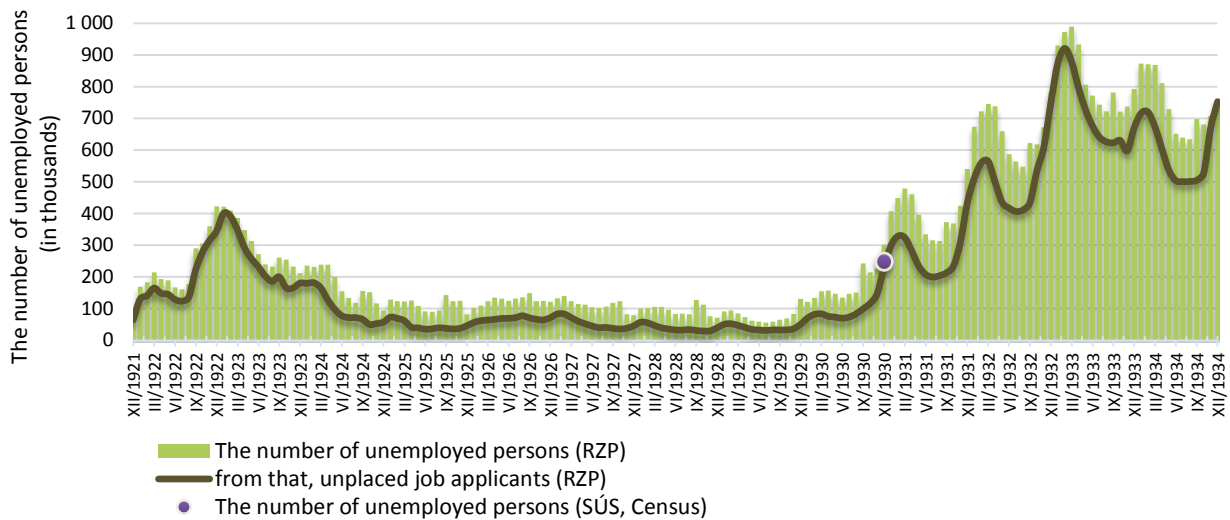


Figure 7.1.1: The evolution of the number of unemployed individuals in Czechia during the interwar period (1921–1934)

Source: SÚS, 1931; SÚS, 1919–1950.

Note: RZP - Register of employment agencies, SÚS – State statistical office

The period of socialism (1950–1989) saw securing jobs for all individuals capable of work as the main condition of social securities, with basic principles of employment protected by law. Unemployment as an economic phenomenon was de jure branded illegal (by act no 86/1950 Coll. of the penal code) and existed only in the form of frictional unemployment (very short period of unemployment in between jobs). The centrally managed economy established a system of job-placement orders (companies were obliged to employ new graduates) and maintained artificial employment even at the cost of inefficiency of the given job position. Therefore, unemployment as an economic phenomenon was non-existent in the socialistic legislative system.

This changed in the post-revolutionary period (1989–2014) when the transformation to the market economy accompanied by increasing unemployment sparked interest in its monitoring. During this period unemployment in the Czech Republic was monitored by two offices (see Figure 7.1.2):

The Ministry of Labour and Social Affairs (MPSV) used data on the number of registered job seekers and calculated

- i) the rate of registered unemployment (until June 30, 2004),
- ii) the rate of registered unemployment of immediately employable job seekers (from July 1, 2004 till December 31, 2012)
- iii) the share of unemployed individuals (from January 1, 2013).

² According to government regulations no 101/1940 Coll. and no 250/1943 Coll .

The Czech Statistical Office (ČSÚ) collected data through

- i) Labour Force Sample Surveys (VŠPS) to calculate the general unemployment rate,
- ii) the Population Census which monitors the unemployment rate at census intervals (once every 10 years).

The MPSV data are substantial for Czech decision-making institutions. The VŠPS data are mainly used in international comparisons. The SLDB data have the benefit of allowing for a long-term evolution comparison of the unemployment rate and regional differences. This map sheet focuses on long-term monitoring of the evolution of unemployment and uses mainly the SLDB data on the general unemployment rate³, plus additionally the MPSV data on registered unemployment. Differences in unemployment calculation methods cause, similarly to other economic indicators (see Svoboda, Přidalová, Ouředníček 2014 for instance), variations in unemployment rate percent values. Nevertheless, the general evolution trends (see Figure 7.1.2) and regional differences in unemployment (see map sheet) remain more or less the same.

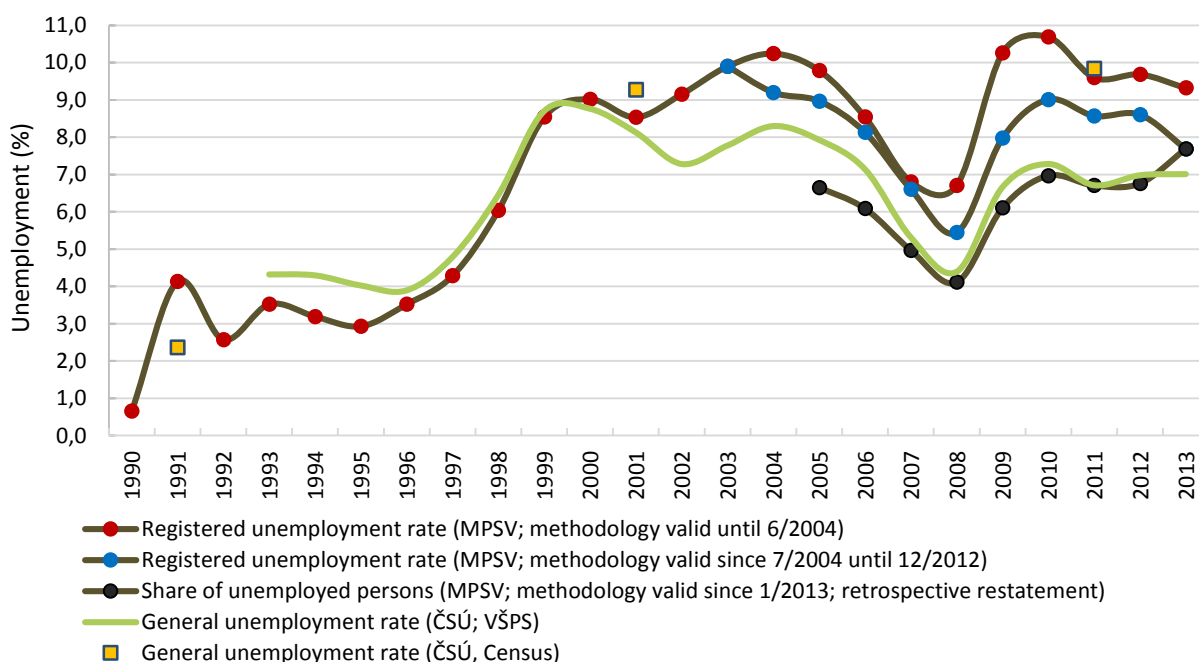


Figure 7.1.2: A comparison of the evolution of post-revolutionary unemployment (1990–2013) in Czechia using data from different sources

Source: ČSÚ, 1991; ČSÚ, 2001; ČSÚ, 2011; ČSÚ, 2014; MPSV, 2014a.

Note: ČSÚ - Czech statistical office, VŠPS - Labour force Sample Survey, MPSV –Ministry of Labour and Social

³ The SLDB general unemployment rate is the ratio between the number of unemployed individuals and the labour force in national economy at the census decisive moment (March 3, 1991; March 1, 2001; March 26 2011). Labour force includes economically active individuals, i.e. all individuals over 15 years of age who had a paid job at the census decisive moment either as employees or employers or they were self-employed, members of production cooperatives, helping family members, working pensioners or unemployed, since 2001 it also includes women on maternity leave lasting 28 or 37 weeks respectively, and since 2011 working students and apprentices. The 2011 census data refer to usually resident population which represents a significant difference from previous censuses (in 1991 and 2011) when the data referred to permanent residents.

Affairs of the Czech Republic. The general unemployment rate (ČSÚ, SLDB) is the number of unemployed people as a percentage of the labour force in the national economy at the census decisive moment. The general unemployment rate (ČSÚ, VŠPS) is the number of unemployed people as a percentage of the total labour force (Eurostat methodology based on ILO recommendations). The rate of registered unemployment (MPSV, annual average, methodology valid until June 2004) is the number of unemployed job seekers registered at the labour office at the last day of a given period as a percentage of the labour force. According to the methodology valid from July 2004 till December 2012, the rate of registered unemployment is the number of immediately employable job seekers (Czech and EU nationals) registered at the labour office as a percentage of the labour force. And since January 2013 it has been defined as the number of immediately employable job seekers in the 15-64 age group as a percentage of the whole population of the same age.

Immediately after the fall of the socialist economy an increased number of people out of work appeared in production-oriented regions, even large cities were not spared from rising unemployment. The first wave of layoffs affected primarily the male population. High unemployment in cities with an increased number of jobs (see also Map sheet section A 8.2 Commuting in selected centres) was caused by layoffs in heavy industry large-scale production plants which fell into recession due to the loss of foreign markets in Comecon countries. This 1991 oscillation seems, in comparison with later development, quite paradoxical. This is why 1991 can be considered a transitory year providing only indicative unemployment data. A significant increase in unemployment, mainly due to the delayed effects of economic recession, didn't occur until the second half of the 90s. The 1999–2005 period can be characterized as a period of high unemployment marked by considerable regional differences (see Figure 7.1.3) in the unemployment rate (Feřtřová 2011). Among the most affected regions were the North Bohemian Coal Basin (the districts of Most 19.67%, Chomutov 16.87%, and Teplice 16.45%), Moravia-Silesia (the districts of Karviná 18.71% and Ostrava 17.29%), and southern Moravia (the districts of Znojmo 13.28% and Hodonín 12.69%).

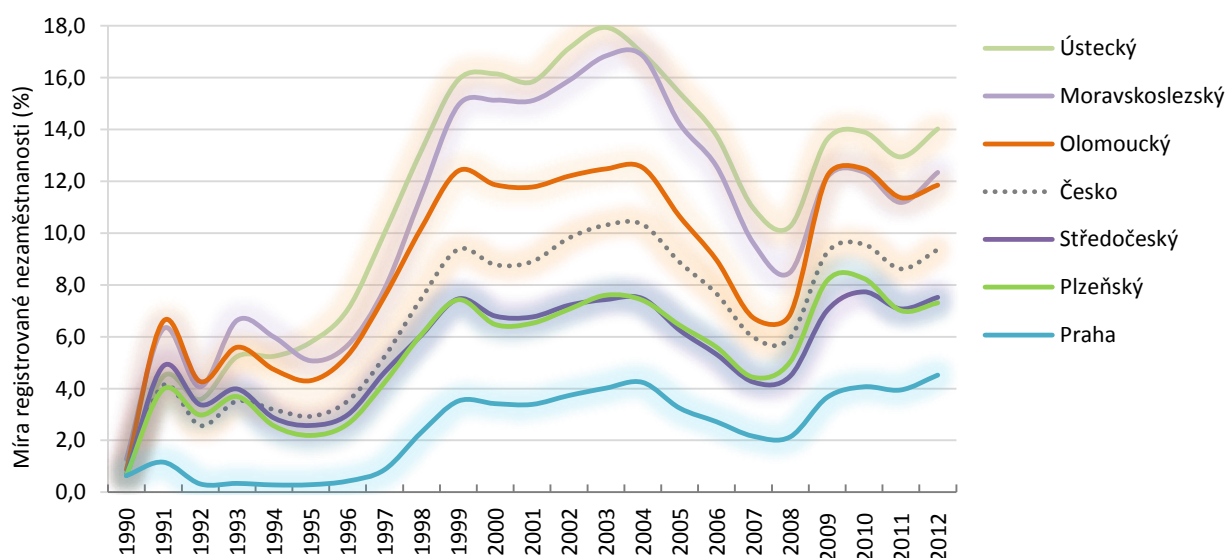


Figure 7.1.3: The post-revolutionary evolution of the rate of registered unemployment in selected regions

Source: ČSÚ, 2014; MPSV, 2014a

Note: 1990–2004 – number of registered job seekers as a percentage of the labour force; 2004–2012 number of immediately employable job seekers as a percentage of the labour force

The subsequent decline in the number of individuals out of work caused by the Czech economy's performance immediately after the completion of integration processes and by the widening access to the global economy didn't shrink the differences in regional unemployment rate (Katrňák, Mareš 2007). On the contrary, regional differences between smaller territorial units caused by regional structural characteristics became even more pronounced and skyrocketing unemployment since the end of 2008 due to the economic recession intensified them even further. Municipalities with the highest unemployment rate are currently located in the districts of north-western Bohemia, Olomouc, Moravia-Silesia, Znojmo, and along the former frontier between Bohemia and Moravia. The lowest unemployment rate is traditionally recorded in metropolitan Prague, in the regions of Mladá Boleslav and Rychnov (Škoda Auto plants in Kvasiny), and in Pilsen's hinterland (Borská pole). The last decade has seen a decline in unemployment resulting from the economic performance of regional centres and their job-pooling hinterlands and new industrial zones along main transport corridors. This spatial pattern remains, in comparison with the evolution in the 90s, considerably stable in time.

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