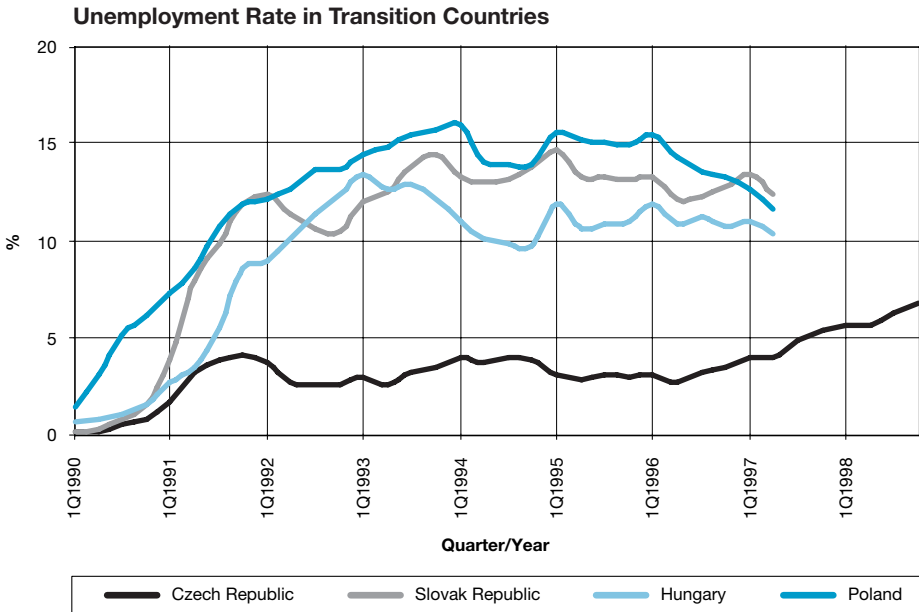


VII. LABOR MARKET

VII.1 Unemployment



Source: 1990-1991 *Unemployment in Transition Countries: Transient or Persistent?*, OECD 1994, pg. 29
 1992-1997 CESTAT '93, '94, '95, '96, '97/2.
 1997-1998 Czech Republic: Forecasts of CERGE unemployment model.

Since summer 1996 unemployment has been rising steadily after several years of stability and quite low levels, seasonally fluctuating at 3%. Although the unemployment rate at the beginning of 1998 is still about half of the EU or the CEFTA average, there are substantial and widening regional differences in the unemployment rate, ranging from 0.5% to 13%.

There are several reasons for an additional substantial increase in the unemployment rate in 1998. Irregular inflows into unemployment are expected to come from sectors controlled predominantly by the state due to the late reform of the inefficient state railways, the optimization of the network of public secondary schools, budgetary pressures on health care, and possibly from the state

and public administration as a result of a limited wage bill. Irregular lay-offs are expected to appear in larger privatized firms, which until recently did not focus on productivity due to unclear and uncertain ownership rights.

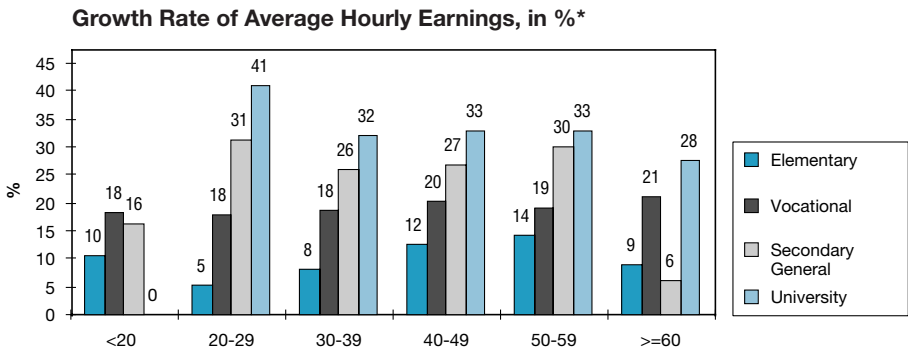
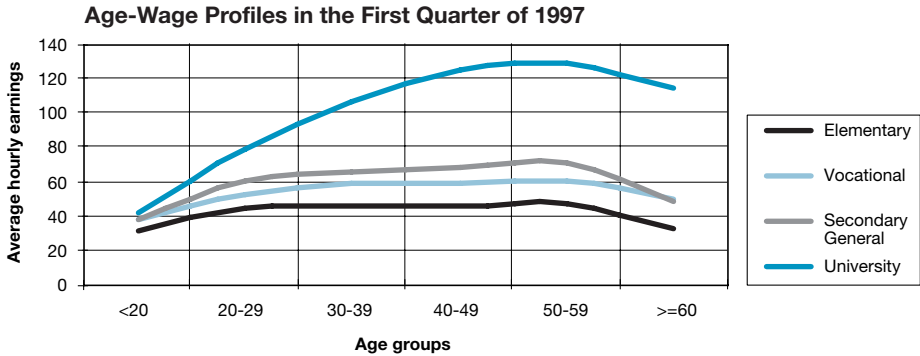
Increasing unemployment and enhancing competition among employees will impose some limits on the excessive growth of real wages, which is desirable since they still surpass the growth of productivity.

Specific Unemployment in the Czech Republic

	Unemployment Rate, %	Share of Employment, %	Share of Unemployment, %
Elementary and less	12.2	10.3	31.9
Vocational	4.1	40.8	39.0
Vocational w/o Exam	3.7	5.2	4.5
Vocational with Exam	2.4	1.4	0.8
Secondary Specialized	2.7	27.2	16.6
Secondary General	4.2	4.1	4.0
University	1.3	11.0	3.2
TOTAL	4.3	100.0	100.0

Source: CSO

VII.2 Age-Wage Profiles



* The growth rate is computed as: $100 * (\text{wage1Q1997} / \text{wage3Q1995} - 1)$
 Source: Informační systém o průměrných výdělích, Trexima ISPV 1995, 1997.

A wage is the rent employers pay to attract human capital, i.e., their employees. Higher education and more experience increase the price of human capital. This market rule contributes to the continuous widening of wage differentials in the Czech labor market.

The payoff of university education is notably different from lower educational attainments. With the exception of university education, the age-wage profiles are

notably flat and are at similar levels. One reason for flat age profiles is that experience gained during the central planning period has lost value.

The ongoing deepening of wage differentials is confirmed by substantial differences in the growth rates for wages of individual age groups and education groups. The highest growth of wages is reported for those who completed university after 1989.